

# JOURNAL

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## GROWTH

THE circulation of the JOURNAL-BULLETIN during the past two years has been as follows:

December, 1914.....	30,800 copies
December, 1915.....	32,400 copies
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These figures speak for themselves. They tell better than mere words the esteem in which the JOURNAL-BULLETIN is held by members of the American Bankers Association, the American Institute of Banking and numerous other bankers, investment dealers, lawyers, professional and business men who look to its pages for guidance along the most advanced lines of financial and economic thought.

The New York *Tribune*, in a recent banking editorial, refers to the JOURNAL as a national organ.

Many banking institutions have found it so valuable that they subscribe for copies for all their directors; others take out subscriptions for numerous employees.

The JOURNAL has proved one of the greatest cementing influences in the American Bankers Association, bringing together its numerous activities once a month for the information and benefit of its members.

It is widely quoted everywhere, not only in newspapers and magazines but at bankers' conventions.

It seeks to reflect, in its editorial writings and contributed articles, the desire of the Association and the Institute for the best financial publication capable of being produced; and in that endeavor it will be our pride and pleasure to persevere.

To all its readers the JOURNAL-BULLETIN extends cordial greetings for a Happy and Prosperous New Year.

*Fred. E. Farnsworth*  
Publisher.

## PROPOSED CHANGES IN THE FEDERAL RESERVE ACT

CHAIRMAN CARTER GLASS, of the Banking and Currency Committee of the House, has introduced a bill which provides for the final payment of all reserve funds within sixty days after its passage.

Representative McFadden has introduced a bill reducing the reserve requirements for country banks from twelve to ten per cent.

These two were the only measures affecting banking introduced before the holiday recess. It is reported, however, that the Federal Reserve Board will recommend other amendments in its annual report which will be sent to Congress in January. A preliminary statement of these recommendations indicates that one suggested amendment is designed to make the check clearing system still more comprehensive. This end is to be attained by permitting non-member banks and trust companies to carry balances with the reserve banks. This suggestion does not mark a yielding attitude on the part of the Federal Reserve Board. It means only that the Board is adhering firmly to its policy of establishing a universal system of par collections or collections as near par as possible. This development seems to be considered an integral part of the reserve system by the Reserve Board despite the recorded opinion of bankers that such a plan is not necessary to the attainment of the purposes of the Reserve Act. In the proposed extension of the collection system there is a noteworthy absence of compulsory processes. State banks may be permitted to carry balances with the reserve institutions; they cannot be compelled to do so. Under the proposed amendment the way will be opened for them to take advantage of the collection system. They will also have an advantage now limited to member banks—if it is an advantage—without assuming any of the responsibilities. If the state banks are moved by the concession—if it is a concession—they will get on terms of familiarity with the reserve banks which will in some measure become competitors of other banks for accounts. The reserve banks cannot pay interest on balances and it is not clear what inducements they have to offer non-member banks beyond the so-called par collection of checks, but the relations between the reserve banks and the world of business are becoming constantly closer

as the system develops. It is conceivable that a connection with the reserve banks may become an indispensable asset to the state banks.

Changes in the reserve requirements are also scheduled in the list of amendments suggested by the Reserve Board. The changes are as follows:

Country banks from twelve to seven per cent. on demand deposits.

Reserve city banks from fifteen to ten per cent.

Central reserve city banks from eighteen to thirteen per cent.

The reserve required against time deposits is reduced from five to three per cent. in each case.

These requirements are supplemented by the following suggested provision:

"Every member bank shall maintain in its own vaults for till money an amount of specie or currency equal to at least five per cent. of its demand deposits less the amount of those balances with the Federal reserve bank which are in excess of the minimum required by this section."

This variation from the present provision as to reserves leaves the total amount the same, but the five per cent. till money, while required, is theoretically distinguished from reserve money and may be in any form of currency, that is, national bank notes or Federal reserve notes.

This amendment is in accord with the views expressed by Mr. Warburg in his address to the American Bankers Association in Kansas City. It marks the tendency toward the further diminution of cash holdings by banks and the enlargement of the position of the reserve banks as the holders of cash as well as the providers of currency.

Considering the amount of business that is pressing upon Congress the conclusion of the program here outlined before March 4 would be a remarkable achievement. But even if it is brought to accomplishment the legislative development of the Federal Reserve Act would be far from completion. The reformation of the currency would still remain. The more rapid retirement of national bank notes and the elimination of the greenbacks become matters of greater moment as the Federal reserve system develops. The nearer a scientific banking and currency system comes to

accomplishment the more incongruous appear the relics of the discarded scheme. The more intimate the relations of the reserve banks with the financial and commercial world the more archaic becomes the independent treasury system, the possibility of interference by the Secretary of the Treasury; and the office of Comptroller of the Currency becomes more and more insignificant in comparison with the Federal Reserve Board.

The legislative development of the Federal Reserve Act is, therefore, likely to continue for some time to come. It is unfortunate that this development, so far as it could be foreseen, should not have been completed before the development of the reserve system out of experience under it had fairly begun. The latter process cannot be stayed. Business will go on under the Reserve Act and the Reserve Act will respond to the exactions of business within the letter of the law, if it is possible, and without the letter, if it is not. In

the development of any scheme of business operation, whether the first rules for it are laid down by statute or not, custom, which grows out of experience, is a vital factor. Already it is being found that where the Federal Reserve Act does not impose specific restrictions, precedents are being established and the foundation is being laid for what will presently become rules sanctioned by custom. The regulations as to open market transactions in the Reserve Act indicate only in a general way what the reserve banks may do. The powers here conferred are susceptible of broad application. World conditions are unprecedented. It is not impossible that the reserve banks will develop forms of operation that were unthought of when the Reserve Act was under consideration and would never have been thought of but for the readjustments made necessary by the war in Europe. A. D. W.

## ENTER THE BANK OF ENGLAND

With the approval of the Federal Reserve Board, the Federal Reserve Bank of New York is about to complete an arrangement whereby the Bank of England will become its agent in London. In a statement announcing its approval of this arrangement the Federal Reserve Board said:

"The Federal Reserve Board has authorized the Federal Reserve Bank of New York to appoint as one of its foreign correspondents and agents the Bank of England of London, England, under the terms of the Federal Reserve Act.

"Section fourteen of the Act permits any Federal reserve bank, with the consent of the Federal Reserve Board, to open and maintain banking accounts in foreign countries, appoint correspondents, and establish agencies in such countries wheresoever it may deem best for the purpose of purchasing, selling and collecting bills of exchange and to buy and sell, with or without its indorsement, through such correspondents or agents bills of exchange arising out of actual commercial transactions, so that a broad field of operations is possible under it.

"In granting the authority to establish the agency the Board has authorized the Federal Reserve Bank of New York to maintain accounts either for or with the Bank of England, so that operations both in England and in the United States are possible.

"Other Federal reserve banks may participate in the agency relationship with the Bank of England upon

the same terms and conditions that will govern the Federal Reserve Bank of New York if they so desire."

The announcement was not a surprise so far as it concerned the New York reserve bank. It has long been known that the question of foreign agencies was under consideration. The trip of Governor Strong to Europe last spring was supposed to have been made to pave the way for such action. The surprising feature is that the Bank of England is to be the agent. The Bank of England has been much given to aloofness. It is not a government institution. It has persistently avoided all alliances. British war financing has not been done through the Bank of England. The managers of that staid old institution declined to be parties to the treasury obligations by which the war has been chiefly financed. The notes issued by the bank are still for gold but it is no longer the dominant factor in the gold market. Its statements which were formerly the index of British commercial activities are now all but meaningless.

In considering the question of metallic reserves and relation of note and deposit liabilities thereto, of European central banks, Mr. Warburg recently said he did not include the Bank of England in the list and explained:

Its organization does not provide for so-called elastic note issue, and during the recent critical period it proved anew its inferiority in this respect, as compared with modern central banks like the Banque de France and the Reichsbank. Owing to the rigidity of the structure of the Bank of England, that country could not promptly meet the first pressure following the beginning of the war. There was an inelastic and insufficient note issuing power and the consequence was that a situation developed in which the government credit had to be thrown into the scales to a much larger extent than with any other nation. The British Government had to guarantee acceptances, discounts and stock exchange loans to an almost unlimited degree; it had to issue, in August, 1914, £37,603,000 of small notes to provide the needed currency. I believe it is safe to say that the moratorium and the great inconveniences and losses inflicted upon England's debtor nations might have been avoided if the organization of the Bank of England had been more modern and possessed of greater elasticity. England's unparalleled power as the world's creditor nation, which was brought into play with marvellous boldness and ingenuity, saved the day for Great Britain and overcame the Bank of England's organic weakness, which, with any other nation, might have proved fatal.

The proposed connection is therefore as interesting in marking a departure for the Bank of England as for the New York Reserve Bank. It can mean nothing except that the Bank of England has surrendered its position as the regulator of international finance and London is no longer the financial center of the world.

It does not mean that New York has stepped into this position but it must mean a decided enhancement of the power of New York and the prestige of the New York Reserve Bank.

What the effect of the pending reciprocal relationship will be on British war financing remains to be seen. So long as the war lasts the British Government will continue to be the largest purchaser of American products. British treasury bills, offered to commercial banks through a private banking house, might well provoke a word of caution from the Federal Reserve Board, but such bills purchased through and indorsed by the Bank of England, would be self-liquidating and would not clog either the reserve banks or the member banks. How extensive such purchases may become depends on many things. Acceptances and commercial paper cannot be purchased in sufficient quantities to keep the exchange position stable. Exports from England and her allies

to the United States cannot equal in quantity what they buy here. The single alternative then is to accept in settlement some form of credit security or gold. Gold will continue to come if purchases continue. More of our stocks and bonds will be returned and some other obligations will undoubtedly be taken. But, whatever form these other obligations take, they will probably be indorsed by the Bank of England.

The possession of a mass of British short time obligations by the reserve banks would be an asset of value. In commenting on the recent statement of the Reserve Board as to British treasury bills, the London *Economist* said:

It has been somewhat hastily assumed in many quarters in the city that this pronouncement has been produced by German-American influence; but in view of the inflation and speculation now rampant in the United States, the Federal Reserve Board has plenty of reason to tell the banks there to restrict their investments, concentrate their gold in its hands, and generally keep their powder dry. Whether the Board's advice is wholly sound, time will show. It might have been thought that, with a view to control of foreign exchange after the war, a mass of European obligations falling due would have been a good asset. America could have called for their repayment at face value, but if she buys back her own securities, she will have an asset saleable only at a market price. Perhaps the Board thinks that America already has enough control of this kind, and perhaps it is right. But whatever the cause of this manifesto, and whether it be well advised or no, it will undoubtedly make our financing in New York more difficult, and we must at once set about meeting this difficulty. Since America wants gold we and our allies must find it and ship it, and we must also prepare to ship securities of the kind that the Federal Reserve Board recommends to investors. Above all, we must increase production and reduce consumption, so that we have to import less from America, and may be able to pay for more of what we import by shipping goods. If we set about these things seriously, and make full use of our productive power for war, instead of frittering it away on unpatriotic self-indulgence, the Federal Reserve Board's action may have a salutary effect on our financial position.

The development of the reserve system as indicated by other matters, as well as the arrangement with the Bank of England, has many interesting features. Banking operations are destined to become more important than the interpretation of the Reserve Act, the regulations of the Federal Reserve Board or amendments by Congress. This is not yet the case but there has been enough



progress to show this as an inevitable result. The government through its treasury is becoming of constantly less consequence. If trouble clouds appeared on the horizon, the query now would not be what the Secretary of the Treasury would do, and perhaps not what the Federal Reserve Board would do; the condition of the reserve banks would be the matter of greatest concern and their ability to meet the situation would be the one subject of discussion. The treasury would be regarded for what it really is—a factor of possible additional disturbance.

In considering this possibility the dominant position of the New York Reserve Bank cannot be ignored. If it is to be charged with the duty of protecting the gold stocks, every eye will be turned in its direction. Every other reserve bank will be subsidiary to it. The force of necessity operating through economic law will make it the central bank. As a matter of fact it is in that position now. All the other reserve banks are mere incidents, serving their own districts, discharging all the duties imposed upon them and with their existence thereby justified, but consequential only as the feeders, agents or branches of the one bank which must protect the country and insure its financial stability. A year ago the prospect of such development could not be foreseen or foretold. There was no assurance that such development would be permitted without interference, but there is no longer any doubt of the situation. Economic law, like youth, will not be denied unless one can imagine the Reserve Bank of Dallas or Atlanta or Cleveland stripping for the task of saving the country from disaster.

The general condition makes pertinent an allusion to the inhibition against anything but commercial operations by the reserve banks. They can exert no steadying influence in stock exchange operations. Recently when call loan rates advanced so that heavy liquidation was precipitated, rediscounting became fairly active. The banks declined to sell their holdings of commercial paper to the reserve banks in order to secure funds to lend on call but the incident served to illustrate the close relation between commercial and speculative activities. A stock market crash, despite the re-

serve banks, would make business unsteady and interest rates feverish and uncertain. It seems a rational development that some day the Reserve Bank of New York will have to be concerned not only over rates on commercial paper but, as a means of controlling those rates, over the call loan rates as well. Larger control over gold and its movements will make this relation between stock exchange operations and the reserve banks more apparent unless it is decided that stock exchange operations are wholly undesirable. Certainly loans on the collateral of securities dealt in on the Stock Exchange cannot be eliminated.

The growing obviousness of this relation between the reserve system and the investment market indicates a tendency in the development of the reserve banks which cannot be overlooked.

The development, legislative and economic, of the reserve system, cannot be considered in its entirety without a word about the state banks. Not yet has there been any break in their ranks. Less than forty are members of the reserve system. Thousands of them probably never will be. There have been few additions to the number of national banks.

There are still evidences of dissatisfaction but at no time since the reserve system was organized has it been more apparent that state banks of capital above, say, \$250,000 will eventually be members. No one knows this better than the state bankers themselves.

How long they will withstand the temptation is another matter. Conditions will have an influence. The views of the business world will also have an influence. It has long been apparent that the business world likes the Federal reserve system and its liking does not seem to diminish. Business thought molds banking thought and, in the end, banking thought will have to submit.

The state banks are justified in waiting for satisfactory terms and for a satisfactory development of the system. There is much to which they properly object. They can exert and they are exerting a vast influence on the development and remodelling of the reserve law and the reserve system.

A. D. W.

## MORE FOREIGN AGENTS FOR RESERVE BANKS

It is expected that the Federal Reserve Bank of San Francisco will soon issue notice of the selection of foreign agents in the oriental countries. The Federal Reserve Board will undoubtedly approve of the connections made. The Philippine National Bank and institutions in China and Japan will be selected and it is reported that negotiations are under way with Australian banking interests.

On December 28 Georges Pallain, governor of the Bank of France, was reported to have said in an interview with the Associated Press that negotiations with the Bank of France are in progress. M. Pallain also said that he had discussed the question with Governor Strong, of the Federal Reserve Bank of New York, when the latter was in

Paris last February. M. Pallain's interview concluded as follows:

"Our interest, like the interest of the United States, is evidently to prove the maximum of stability in our financial markets and prevent, by a combination adapted for that purpose, a too sudden change of equilibrium in international monetary operations. That is why I am glad to engage in conversations tending to a consideration of conditions most favorable to the reciprocal interests of the two countries in the period of economic transition from war to peace. These exchanges of views are proceeding under the best conditions and we may hope that they soon will end in the mobilization of French and American sympathies on the field of finance."

## FEDERAL FARM LAND BANKS LOCATED

The location of the twelve Federal farm land banks provided for by the Farm Loan Act has been announced by Secretary McAdoo. The law requires that the United States, exclusive of Alaska, shall be divided into twelve districts somewhat after the manner of the Federal reserve bank system, with the exception that any arrangement of districts which does not follow state lines is forbidden. This prevents placing a fractional part of a state in any district. Seventy-five applications for banks were received by the Farm Loan Board. The designation of districts and banks is as follows:

District No. 1—Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York and New Jersey. Location of Federal land bank, Springfield, Mass.

District No. 2—Pennsylvania, Delaware, Maryland, Virginia, West Virginia and the District of Columbia. Land bank at Baltimore, Md.

District No. 3—North Carolina, South Carolina, Georgia and Florida. Land bank at Columbia, S. C.

District No. 4—Ohio, Indiana, Kentucky and Tennessee. Land bank at Louisville, Ky.

District No. 5—Alabama, Mississippi and Louisiana. Land bank at New Orleans, La.

District No. 6—Illinois, Missouri and Arkansas. Land bank at St. Louis, Mo.

District No. 7—Michigan, Wisconsin, Minnesota and North Dakota. Land bank at St. Paul, Minn.

District No. 8—Iowa, Nebraska, South Dakota and Wyoming. Land bank at Omaha, Neb.

District No. 9—Oklahoma, Kansas, Colorado and New Mexico. Land bank at Wichita, Kan.

District No. 10—The state of Texas. Land bank at Houston.

District No. 11—California, Nevada, Utah and Arizona. Land bank at Berkeley, Cal.

District No. 12—Washington, Oregon, Montana and Idaho. Land bank at Spokane, Wash.

The next step of the Farm Loan Board is to advertise for thirty days for subscriptions for the stock of the twelve banks. Any unsubscribed stock at the end of that period will be taken by the government. The Board will then appoint five directors and the officers of each bank, each district bank will proceed with the work of opening for business and the organization of farm loan associations will thereafter be a matter for the farmers who desire to make loans. The real test of the new system, however, will come when the farm loan bonds are placed on the market.



# Report of First Meeting of the Committee of Twenty-five

Result of Nation-wide Referendum of the Federal Reserve Clearing System, Loss of Revenue, Exchange Charges, Reserves, Etc.

By JEROME THRALLS,  
Secretary of the Committee

**N**O body of business men, merchants, or bankers, ever assembled with a more earnest and sincere determination to reach the right solution of any question than did the twenty members of the Committee of Twenty-five who met at Chicago, Monday, December 11, 1916, in response to the call for the first meeting of the committee to consider the clearing and collection problem.

\*The Committee of Twenty-five consists of fifteen representative country bankers and ten representative reserve city bankers. It is working under authority and instructions embodied in a resolution unanimously adopted by the American Bankers Association in convention at Kansas City, Mo., September 28, 1916, and in which loyalty to and faith in the Federal reserve system is expressed, while opposition is registered against the provisions of section sixteen of the Federal Reserve Act, relating to the clearing and collection of checks and drafts, as being a feature unnecessary to the attainment of the objects sought by the Act.

The committee had at its disposal full facts relating to clearing and collection operations of a number of representative banks and trust companies in each state, detailed information covering the operations of the clearing and collection departments of the Federal reserve banks and of the country clearing houses of the United States, also expressions, opinions, and suggestions from various clearing houses, committeemen, bankers associations, prominent bankers, and from authorities and experts on the subject throughout the country, also data showing the rules and regulations governing exchange charges, charges for transfers, collection services and time costs, etc., in the principal centers, as well as a brief of the answers of more than

7,500 banks to the questionnaire conducted on behalf of the committee, and in which was shown the attitude of the bankers in every section of the country, the rates of exchange charged by banks before and since the inauguration of the Federal reserve clearing system, on drafts sold over the counter, on remittances for cash items sent for collection and returns, and upon checks and drafts deposited drawn upon out-of-town points; the net loss of revenue suffered because of the operations and influence of the new collection system, the influence this system will have upon state banks joining the Federal reserve system; the position of the country banks on the proposed reduction in reserves required of country banks; the attitude of banks toward the operation by the Federal reserve banks of a clearing and collection system, voluntary in its nature, which would allow banks to make reasonable charges for services and expenses incurred in covering items by remittance or otherwise, and the expense of operation of which would be borne on a pro rata basis by those who use it. The rates the banks would charge under such a plan were also indicated.

This information, the elements bearing upon the development of the personal check and draft, the factors that led to the present state of affairs relating to exchange charges, and the methods of clearing and collection of checks and drafts, and the flow of commerce and exchange to and from the different sections of the country were thoroughly discussed and earnestly considered.

The Committee of Twenty-five, co-operating with the Committee on Federal Legislation of the American Bankers Association, is virtually charged with the responsibility and duty of working out a clearing and collection plan nation-wide in its scope and the operations of which will be fair and equitable to the banks and to the public.

The committee, after mature deliberation, unanimously concluded that its plain duty at this juncture is to seek an amendment to the law which will accord to banks the rights that are guaranteed by the Constitution of the United States to every citizen (individual, firm and corporation), that is,

the right to demand and receive fair compensation for services rendered entailing labor, risk and expense; and to undertake to bring about such modifications and changes in the Federal reserve clearing and collection system as are necessary to put it upon a basis where its development and extension will depend entirely upon merit. It was the consensus of opinion that the Federal reserve clearing and collection system, like any private business of similar character, will succeed and endure only because of its ability to render the most efficient service upon the most economical lines, and that so far as is possible, all features of compulsion and coercion should be removed. It was further expressed as the sense of the meeting that the country clearing houses being operated in eleven of the leading centers of this country are most valuable and efficient collection agencies, and that such organizations should be established and maintained in all of the larger cities and that some plan should be evolved whereby they might be united in a national association through which cash items could be collected or cleared on every section of the United States.

The amendment which will be urged to section sixteen of the Federal Reserve Act will provide that banks may make reasonable charges to cover services and expenses involved in covering by remittance or otherwise, checks and drafts drawn upon them and presented for payment through the Federal reserve banks, charges to be assessed against the presenter and proper safeguard to be made against exorbitant rates. The amendment will recognize the principle that exchange is naturally governed by the business relations between the different sections of the United States, and like freight, express, or telegraph charges, should be borne either by the seller or the purchaser of the goods in accordance with arrangements that they may make between themselves. If such an amendment were passed, much of the opposition to the Federal reserve system would be removed, and there would be more likelihood of the small state banks joining the system, exchange charges would adjust themselves upon natural lines, and the way would be opened to co-operation which would lead to the concentration of the clearing and collection of cash items into the channel that would afford the most efficient and economical means for handling such business, whether that channel be

the Federal reserve banks, the country clearing houses, or some other agency. It is not only the desire of every banker that the most modern, efficient, and economical methods for handling cash items be evolved and developed, but it is the duty of every banker to use his best efforts to that end, and to give the business public the benefits of such savings as may be effected through improved methods.

The committee realizes that it has a big and important task and is going about its solution in a quiet, determined way. The situation which it faces developed over a period of more than fifty years. It cannot be solved over night. Much progress has been made by the committee. The final solution may spread over months, perhaps years; close co-operation and concentrated effort will hasten it, and will make success certain.

The following information was placed before the committee at its first meeting, and will prove of interest to every banker:

#### PROBLEM OF THE COMMITTEE

The committee has to deal with the problem of evolving the most efficient and economic means of handling annually over 723,763,570 so-called country checks, aggregating more than \$30,000,000,000, and on which an exchange charge of 66 $\frac{2}{3}$  cents per thousand dollars, or an annual amount of \$20,000,000, was assessed prior to July 15, 1916, and on which there was an expense in the handling (generally known as administrative cost) of 33 $\frac{1}{4}$  cents per thousand dollars, totaling annually \$10,000,000.

The handling of these items affects the relations of, and the business of, 7,618 member banks and 20,799 state banks, bankers and trust companies, and the influence of changes in the vital principles relating to their issue, payment or handling permeates every line of business.

#### AUTHORITY OF THE COMMITTEE

Resolution adopted by the American Bankers Association September 28, 1916:

"Whereas, The purposes of the Federal Reserve Act are to mobilize the reserves and to unify the national banking system, thereby providing an elastic currency and a system of rediscounts, and

"Whereas, The Act has in it the possibilities of preventing the suspension of cash payments by banks, thereby making the country safe from currency panics, and

"Whereas, Section sixteen of said Act providing for the so-called par collection of checks is not a feature



necessary to the attainment of the objects sought by the Federal Reserve Act, and the system of collecting checks now in operation under the law, as interpreted and applied by the Federal Reserve Board, works serious hardships upon and heavy losses to thousands of country banks, and

*"Whereas, It is the belief of the majority of banks that Congress did not intend to deprive the banks of legitimate profit, therefore,*

*"Be it Resolved, That the American Bankers Association, while approving the fundamental principles of the Federal Reserve Act and expressing loyalty to the Federal reserve system, protests against the provisions of the act relating to the collection of checks, and instructs the Committee on Federal Legislation of the American Bankers Association to endeavor to secure amendments to the Federal Reserve Act, providing for the establishment of a collection system which is fair and equitable to all banks and to the general public.*

*"Be it Further Resolved, That the President of the American Bankers Association be authorized and directed to appoint a committee of twenty-five bankers, fifteen of whom shall be country bankers, and ten of whom shall be reserve city bankers, and that this committee co-operate with the Committee on Federal Legislation of the American Bankers Association in bringing about the enactment of the desired amendment."*

#### PARAGRAPHS 13 AND 14 OF SECTION 16

Every Federal reserve bank shall receive on deposit at par from member banks or from Federal reserve banks, checks and drafts drawn upon any of its depositors, and when remitted by a Federal reserve bank, checks and drafts drawn by any depositor in any other Federal reserve bank or member bank upon funds to the credit of said depositor in said reserve bank or member bank.

Nothing herein contained shall be construed as prohibiting a member bank from charging its actual expense incurred, in collecting and remitting funds or for exchange sold to its patrons.

The Federal Reserve Board shall, by rule, fix the charges to be collected by the member banks from its patrons whose checks are cleared through the Federal reserve bank and the charge which may be imposed for the service of clearing or collection rendered by the Federal reserve bank.

The Federal Reserve Board shall make and promulgate from time to time regulations governing the transfer of funds and charges therefor among Federal reserve banks and their branches, and may at its discretion exercise the functions of a clearing house for such Federal reserve banks, or may designate a Federal reserve bank to exercise such functions and may also require each such bank to exercise the functions of a clearing house for its member banks.

#### STATEMENT OF CONDITIONS

Relative to the Federal Reserve Clearing and Collection System as Operated Prior to the Announcement Made by the Federal Reserve Board, May 1, 1916, and up to July 16, 1916.

The Federal Reserve Board being charged with the responsibility of administering the law as placed upon the statute books, devoted an immense amount of time to the study of the provisions of sections thirteen and sixteen, relating to the clearing and collection of checks and drafts. They made an earnest effort to determine upon a satisfactory, scientific and workable plan, but found the text of the law was not clear and because of difference of opinion among the Board members, they were obliged to call upon the Attorney General of the United States for his opinion regarding certain features. In the meantime the Federal reserve banks were urged to put into operation some tentative plan for handling items within their respective districts.

Some of the Federal reserve banks inaugurated a mandatory system under which items drawn upon member banks were immediately credited to the accounts of depositing members, and were immediately debited to the accounts of the members upon which drawn.

With the exception of the Federal Reserve Bank of Kansas City, this system was modified after a short period. In an effort to force its operation in the Kansas City district, practices were resorted to which would be condemned as being unsound and dangerous if indulged in by any commercial bank. For illustration, in many instances, reserve balances were not only depleted but were entirely wiped out by debiting immediately to the accounts promiscuous cash items, some of which could not possibly be converted into available funds short of six days. The overdrafts occasioned by these practices reached an aggregate of as much as \$2,000,000, against deposit liabilities of less than \$20,000,000.

Other Federal reserve banks established a voluntary clearing and collection plan. Under this plan the members were invited to join the clearing and collection system, and by so doing to authorize the Federal reserve bank to charge items drawn upon them to their respective accounts with the Federal reserve bank, and to agree to carry with the Federal reserve bank sufficient funds to protect such items. In some instances the Federal reserve banks required that these agreements be entered into and the authority to charge items to accounts be granted only through resolution of the boards of directors of their respective members.

Other Federal reserve banks held that in their opinion the law did not intend that Federal reserve banks should perform any actual service in the way of clearing of items, but were intended to serve only as regulators of exchange.

Banks outside of the cities wherein the Federal reserve banks are located were reluctant to bind themselves to carry excess balances with the Federal reserve banks and to break away from their old and established

connections for the purpose of trying a new scheme the cost of which was unknown. The banks were loath to waive their revenue derived from interest on secondary reserves, which served as a basis for collection of items. The same was true with reference to the matter of waiving exchange charges.

The combined volume of business handled by the twelve Federal reserve banks under the various plans was not sufficient to justify a conclusion as to the feasibility or desirability of any of the plans that were tried. Less than eighteen per cent. of the members of the Federal reserve system definitely committed themselves to any one of the plans that were tried.

## THE CLEARING AND COLLECTION PLAN

The Federal reserve clearing and collection plan provides:

First: That each Federal reserve bank will receive for collection and credit at par (so far as concerns exchange charges) from its member banks checks and drafts drawn on all members of the Federal reserve system.

Second: That each Federal reserve bank will receive for collection and credit at par (so far as concerns exchange charges) checks and drafts drawn on any bank, banker or trust company when such checks and drafts can be collected by the Federal reserve banks, through members or otherwise at par.

Third: Par lists covering non-member banks whose items can be handled at par (so far as concerns exchange charges) through the Federal reserve banks will be furnished by the Federal reserve banks to their respective members.

Fourth: Tentative credit for items above referred to will be given by Federal reserve banks to their respective members, but the proceeds will not be available for use either as reserve or otherwise until the funds are actually collected.

Fifth: The Federal reserve banks will forward items direct to the member bank upon which drawn, and will charge them to the member bank's account when advised that payment has been received, or when sufficient time has elapsed within which to receive advice of payment.

Sixth: Member banks will be given opportunity to handle checks on non-member banks before effort is made by a Federal reserve bank to secure direct par connections with a non-member bank.

Seventh: Where member banks do not have sufficient volume of items to offset at the Federal reserve bank items sent to said member by the Federal reserve bank, such member may ship lawful money or Federal reserve notes in payment at the expense of its Federal reserve bank.

Eighth: In handling items for member banks the Federal reserve bank will act as agent only. It will require each member to authorize it to send checks and drafts for collection to banks on which they are drawn, and will assume no liability except for negligence.

Ninth: The cost of clearing and collecting checks and drafts will be assessed against the bank depositing such items with the Federal reserve bank. This cost will be known as a service charge and will be fixed at so much per item. (It is generally estimated by the Federal reserve banks that the cost will range from one and one-half cents to one and three-fourths cents per item.)

Tenth: The Federal Reserve Board will fix a penalty to be imposed upon member banks for encroaching upon their reserves.

Eleventh: Each Federal reserve bank will carefully analyze the accounts of the member banks, and will apply a penalty where reserves are impaired. A schedule of time required within which to collect checks and drafts will be furnished to each member bank in order to enable it to determine the time at which any item sent to the Federal reserve bank may be counted as reserve and will be available to meet checks drawn against the funds represented.

## CHRONOLOGY OF THE PLAN

### PLAN ANNOUNCED.

On May 1, 1916, the Federal Reserve Board announced its so-called nation-wide clearing and collection plan.

### CLEARING HOUSE SECTION MAKES INITIAL MOVE.

May 8, 1916, the Executive Committee of the Clearing House Section of the American Bankers Association adopted resolutions recommending:

First: Postponement of the inauguration of the plan, giving bankers opportunity to consider and digest it and to confer with the Federal Reserve Board;

Second: Limiting the items to be handled by any Federal reserve district to those payable in its own district (or sub-district), except possibly items on reserve or central reserve city banks;

Third: That member banks be allowed a reasonable exchange charge for items cleared by them. Member banks charging such exchange to be charged in turn relatively higher rates by the Federal reserve banks on items they may clear for or bearing the indorsement of such member banks;

Fourth: That actual returns must be received by Federal reserve banks for items before said items are charged to the accounts of member, and that penalties be fixed for delayed returns.

### REFERRED TO JOINT COMMITTEE.

May 9, 1916, the above resolutions were referred to the Executive Council of the American Bankers Association, thoroughly discussed and then referred to a joint meeting of the Executive Committees of the Clearing House and National Bank Sections.

### ACTION OF THE AMERICAN BANKERS ASSOCIATION EXECUTIVE COUNCIL.

May 10, 1916, the joint committee reported to the Executive Council that there existed substantial reasons

for concern because of the radical and violent changes contemplated in a system that had developed through years of commercial practice, and urged that effort be made to have the inauguration of the system postponed until representatives of the American Bankers Association had been given opportunity to thoroughly study and discuss all of its details with the Federal Reserve Board.

#### COMMITTEE OF FIVE.

May 10, 1916, the Executive Council of the American Bankers Association adopted a resolution providing for the appointment of a committee of five and directing said committee to confer with the Federal Reserve Board, and if favorable action on the recommendations of the joint committee be not secured, to then confer with the Executive Committees of the Clearing House and National Bank Sections. The three committees acting jointly to have the privilege of taking such further action as in their judgment be deemed necessary.

The committee of five conferred with the Federal Reserve Board requesting postponement of the inauguration of the plan to January, 1917. Following this conference the Federal Reserve Board announced that the inauguration of the plan would be postponed for thirty days.

#### ADMINISTRATIVE COMMITTEE OF AMERICAN BANKERS ASSOCIATION.

The Administrative Committee of the American Bankers Association recommended that the committee of five, and the Executive Committees of the Clearing House and National Bank Sections should call upon the Committee on Federal Legislation to have introduced in Congress an amendment to Section sixteen of the Federal Reserve Act eliminating therefrom the provisions for par collections, and giving the Federal Reserve Board power to fix reasonable charges for the collection of checks.

#### TENTATIVE AMENDMENT PREPARED BY AMERICAN BANKERS ASSOCIATION.

A tentative amendment to Section sixteen was prepared by the Committee on Federal Legislation of the American Bankers Association, but its introduction was delayed in order that the claims for its passage might be based upon defects proved by actual experience, and that opportunity for a full discussion of the question might be had at the general convention of the American Bankers Association.

The order of the Postmaster General requiring certain postmasters to collect checks and drafts for Federal reserve banks without charge in order to force state banks to remit at par was rescinded.

H. R. Bill 17606 was introduced in Congress by Hon. Claude E. Kitchin.

#### ST. LOUIS MEETING—CONFERENCE OF COUNTRY BANKERS.

June 10, 1916, a conference of bankers representing the bankers associations of eighteen states was held at St. Louis, and adopted resolutions:

(1) Declaring the proposed clearing system to be unnecessary; economically unsound and prejudicial to the general business interests.

(2) Calling for the repeal of Section sixteen of the Federal Reserve Act.

(3) Providing for the appointment of an administrative committee to consist of one man from each state.

(4) Authorizing said committee to co-operate with the American Bankers Association, and to take such steps as are necessary to obtain a judicial interpretation as to the constitutionality of the law, etc.

#### WASHINGTON MEETING.

July 11, 1916, the Administrative Committee of the Conference of Country Bankers met in Washington, D. C., and appointed a sub-committee, directed that committee to consult eminent counsel and if the sub-committee then deemed it advisable, to institute proceedings to test the constitutionality of Section sixteen, and to restrain the Federal Reserve Board from enforcing the rule that country banks shall remit to the Federal reserve banks at par.

Institution of suit was delayed pending discussion of the whole question in a general meeting to be held at Kansas City.

#### KANSAS CITY MEETING OF COUNTRY BANKERS.

September 26, 1916, the most representative gathering of country bankers ever held in America assembled in Convention Hall at Kansas City, Mo., and adopted resolutions protesting against the collection feature of the Federal reserve system as being an invasion of the legitimate functions of banking by the Federal reserve banks, and as being unjust and undemocratic, and indorsing the action of the Conference of Bankers held at St. Louis, June 10, 1916, and authorizing the continuance of the efforts to secure relief through Congress, and in event of failure to then ask the courts for an interpretation as to the constitutionality of the law.

#### NATIONAL BANK SECTION RESOLUTION.

September 27, 1916, the National Bank Section of the American Bankers Association passed a resolution requesting all banks to discontinue the practice of encouraging the public in having printed on personal checks the words "Collectible at Par Through the Federal Reserve Bank of ——" until such time as the member banks are able to get credit at par for and immediate use of funds represented by such items at the Federal reserve banks.

#### ORIGIN OF COMMITTEE OF TWENTY-FIVE.

September 28, 1916, the American Bankers Association in convention at Kansas City adopted the resolution providing for the appointment, by the President of the Association, of a Committee of Twenty-five, consisting of fifteen representative country bankers and ten representative reserve city bankers, and charging this committee with the responsibility of working out a clearing and collection plan which will be fair and equitable to the banks and to the general public and co-operating with the Committee on Federal Legislation in securing the necessary amendments to Section sixteen of the Federal Reserve Act.

## TENTATIVE AMENDMENT OF SECTION SIXTEEN

Prepared by Thos. B. Paton, General Counsel  
of the American Bankers Association, at  
Request of Committee of Five, and the  
Executive Committees of the Clearing House  
and National Bank Sections

(Words eliminated in parentheses; insertions in italics.)

Every Federal reserve bank shall receive on deposit (at par) from member banks or from Federal reserve banks, checks and drafts drawn upon any of its depositors, and when remitted by a Federal reserve bank, checks and drafts drawn by any depositor in any other Federal reserve bank or member bank upon funds to the credit of said depositor in said reserve bank or member bank.

Nothing herein contained shall be construed as prohibiting a member bank from (charging its actual) *making a reasonable charge for its services, including expense incurred, in collecting checks deposited and remitting funds in payment of checks drawn upon it or for exchange sold to its patrons.*

The Federal Reserve Board (shall) *may*, by rule, fix the *reasonable* charges to be collected by the member banks from (its patrons) *their depositors* whose checks are cleared or collected through the Federal reserve bank and the charge which may be imposed for the service of clearing or collection rendered by the Federal reserve bank and *may also fix reasonable charges to be collected by member banks for the service and expense of remitting funds, paid upon checks drawn upon such member banks and presented through the Federal reserve bank.*

The Federal Reserve Board shall make and promulgate from time to time regulations governing the transfer of funds and charges therefor among Federal reserve banks and their branches, and may at its discretion exercise the functions of a clearing house for such Federal reserve banks, or may designate a Federal reserve bank to exercise such functions, and may also require each such bank to exercise the functions of a clearing house for its member banks, *subject, however, to the right of member banks participating in the collection and payment of checks through any Federal reserve bank clearing house to make reasonable charges for services and expense incurred in collecting and paying checks through such clearing house.*

### KITCHIN BILL H. R. No. 17606

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Act entitled "An Act to provide for the establishment of Federal reserve banks, to furnish an elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes," approved December twenty-third, nineteen hundred and thirteen (Statutes at Large, volume thirty-eight, chapter six, pages two hundred and

fifty-one and two hundred and seventy-five, inclusive), be, and the same hereby is, amended by striking out the thirteenth paragraph of section sixteen of said Act, which paragraph reads as follows: "Every Federal reserve bank shall receive on deposit at par from member banks or from Federal reserve banks, checks and drafts drawn upon any of its depositors, and when remitted by a Federal reserve bank, checks and drafts drawn by any depositor in any other Federal reserve bank or member bank upon funds to the credit of said depositor in said reserve bank or member bank. Nothing herein contained shall be construed as prohibiting a member bank from charging its actual expense incurred in collecting and remitting funds, or for exchange sold to its patrons. The Federal Reserve Board shall, by rule, fix the charges to be collected by the member banks from its patrons whose checks are cleared through the Federal reserve bank and the charge which may be imposed for the service of clearing or collection rendered by the Federal reserve bank," and in lieu thereof insert the following:

"Every Federal reserve bank shall receive on deposit from member banks or from Federal reserve banks checks and drafts drawn upon any of its depositors, and when remitted by a Federal reserve bank, checks and drafts drawn by any depositor in any other Federal reserve bank or member bank upon funds to the credit of said depositor in said reserve bank or member bank. Nothing herein contained shall be construed as prohibiting a member bank from making reasonable charges for collection or payment of checks and drafts and remission therefor by exchange or otherwise, or for exchange sold to its patrons. The Federal Reserve Board shall, by rule, fix the charge which may be imposed for the service of clearing or collection rendered by the Federal reserve bank."

### From Address of Governor W. P. G. Harding at Kansas City Convention of American Bankers Association, 1916

I know that many of you have been much disturbed over the ruling of the Federal Reserve Board, in regard to the collection of checks. Possibly a few words of explanation may not be amiss.

When the Federal reserve banks were organized in November, 1914, the country was just recovering from the great shock occasioned by the outbreak of the war in Europe.

The Board at that time deemed it wise to defer the full operation of Section sixteen; we had what we regarded as much more important matters to attend to, but, gentlemen, a year passed, maybe a year and a half passed, and nothing was done toward carrying out what seemed to be the mandatory sections of that Act, and what the Board regarded as its solemn duty. That Section sixteen, as I have learned, was the result of a compromise. It was not enacted as originally drafted nor was it enacted as a Senate bill which was passed, after the visit of the committee to Washington in 1913, but it was amended in conference. The language of the section is somewhat involved. The counsel of the Board gave that section very careful consideration; he gave us his advice as to the meaning of that section. We had that opinion checked by the consulting counsel of the Board, an eminent attorney in the City of New York, and after very careful deliberation on the part of the members of the Board we issued that circular and regulation of May 1 last, which provided that the clearing system should go into operation on the 15th day of July.

I want to congratulate the members of this Association upon the course they have adopted. It seems to me that you have reached the correct solution. The Federal Reserve Board is not a legislative body; its functions are administrative. Occasionally it has quasi-judicial functions to perform, but in the main its duties are administrative. It is our province to carry out the law as



Congress enacts it, and if there is anything wrong, if there is anything unjust to the banking community in Section sixteen, as it stands, then it is clearly your right, guaranteed by the Constitution of the United States, to go to Congress to state your case and ask that body to remedy the defects that you see in it.

Shortly, no member of the Board has any desire to antagonize the legitimate banking interests of this country. We all realize how much you are doing to build up the business of this country, and what you are doing for the welfare of every element in the country. Furthermore, we realize that many of you represent the banks that are members of the Federal reserve system, that are stockholders of the Federal reserve banks. Others represent banks that are not yet members of the Federal reserve system, but we hope in due course of time to welcome you in as members, and certainly it would be a very shortsighted policy for anybody charged with the administration of the Federal Reserve Law to deliberately drive away and antagonize any important body of men like the American bankers. At the same time we realize, as every thoughtful banker among you must realize, that a banker has his duty to perform to the public; that he is a quasi-public institution, that he owes something to his depositors and to the public, upon whose business his deposits depend; and I am sure of the result of your deliberations, when you come to Washington, when you meet the committees of Congress. I see no reason why this whole problem should not be solved to the satisfaction of all concerned.

Tomorrow, gentlemen, you will have the pleasure of listening to an address by an able member of the Board, a man who is known throughout the world as a great international banker. He will emphasize the importance of the principle of the Federal Reserve Act. Section sixteen shrinks into insignificance as compared with the underlying principles of the Federal Reserve Act.

## VOLUME OF BUSINESS

### Handled by Federal Reserve Interdistrict Clearing System

July 15 to Aug. 15, 1916	Aug. 15 to Sept. 15, 1916	Sept. 15 to Oct. 15, 1916
Average amount of items handled daily	Average amount of items handled daily	Average amount of items handled daily
\$59,301,695.94	\$78,559,703.82	\$97,666,107.25
Average number of items handled daily	Average number of items handled daily	Average number of items handled daily
133,113	177,397	204,891

During the first month of operation items were handled on 7,624 member banks, 7,032 non-members. Total, 14,656

Second month	Third month			
7,618	"	"	7,449	"
7,618	"	"	7,459	"
				15,067
				15,077

A gain of fifteen and one-half per cent. was made in the number of items handled in the third month of operation as compared with the second month, and a gain of eleven and one-half per cent. in the amount was made during this period.

From July 15 to October 15, 427 non-member banks were induced to remit to the Federal reserve banks at par. During the month ending October 15, the list of non-member banks remitting to the Federal reserve banks at par increased only 10.

Taking the number as shown by the report closing with October 15, 1916, the Federal reserve banks would appear to be handling on the average 61,500,000 items per annum. At the average rate of one and one-half cents per item, being

the estimated cost fixed by the majority of the Federal reserve banks, the expense of handling these items would be \$922,500.

### Average Amount of Single Items Handled by the Federal Reserve Banks

Boston .....	\$300	Chicago .....	\$602
New York .....	600	St. Louis .....	734
Philadelphia .....	500	Minneapolis .....	565
Cleveland .....	540	Kansas City .....	546
Richmond .....	470	Dallas .....	516
Atlanta .....	347	San Francisco .....	271

### Operations of the Country Clearing Houses

#### YEAR 1915

Handled items on about .....	15,000 banks
Amount of items handled .....	\$1,243,500,000
Number of items handled .....	30,000,000
Expense of operation .....	\$212,600
Average expense of handling per thousand dollars .....	17c.
Average expense of handling per item (service charge) 7/10c.	
Average amount of each check, Boston .....	\$47.00
" " " " New York .....	172.00
" " " " St. Louis .....	25.00
" " " " all United States .....	41.45

Savings effected by operations, \$293,000, of which \$100,000 is on the handling cost and \$193,000 of which is on exchange charges.

The country clearing house of Boston was taken over by the Federal Reserve Bank of Boston, when the present Federal reserve clearing and collection plan was inaugurated.

The business handled by the country clearing houses during the year now closing will aggregate over \$1,800,000,000, which is an increase of more than fifty per cent. over the business handled in 1915, even when figures for Boston are included in the 1915 totals. Eliminating the Boston figures, an increase of over 100 per cent. is shown in the volume of business handled by the country clearing houses this year as compared with last year.

### Comparison of Average Rates of Exchange and Service Charges

	COMMERCIAL BANKS	FEDERAL RESERVE BANKS	COUNTRY CLEARING HOUSES
Per Item	01.38c.	01.5c.	7/10c.

#### EXCHANGE CHARGES

	COMMERCIAL BANKS	U. S. Postoffice
Per thousand dollars		On money orders per thousand dollars.... \$9.10
on country checks.	66 2/3c.	

The Federal reserve banks are placing their service charge of one and one-half cents per item on about 61,500,000 items per annum, while but very few banks have been able to reduce their clerical forces because of routing items through the Federal reserve banks.

To date the plan has not effected a saving to members as a whole. It has been the means of increasing the aggregate administrative costs and has operated in such way as to cause the country members to suffer severe losses of legitimate earnings.

## RESULT OF REFERENDUM

Under date of October 27, the secretaries of the several bankers associations were requested to submit a questionnaire on the clearing and collection problem to the banks of their respective states.

The letter submitted called for reply on November 15, 1916. Some of the secretaries were unable to act promptly; as a result, the banks in the remote sections of some states did not have time to respond, yet, more than 7,500 replies were received.

The questions and the replies of the banks responding are as follows:

QUESTION No. 1: Is the plan of clearing and check collection now operated by the Federal reserve banks satisfactory to you?

ANSWER:  
National banks vote: 16.9% Yes; 76.6% No; 6.5% Indefinitely  
All banks vote: 16.4 " 75.6 " 8.0 "

QUESTION No. 2: Do you think the law should be amended so as to eliminate the clearing and collection feature?

ANSWER:  
National banks vote: 68.0% Yes; 25.5% No; 6.5% Indefinitely  
All banks vote: 70.0 " 22.4 " 7.6 "

QUESTION No. 3: Do you think the Federal reserve banks should undertake to maintain a comprehensive clearing or collection system?

ANSWER:  
National banks vote: 32.2% Yes; 57.6% No; 10.2% Indefinitely  
All banks vote: 28 " 61 " 11 "

QUESTION No. 4: Would the elimination of the clearing and collection feature from the law have any decided bearing upon state banks joining the Federal reserve system?

ANSWER:  
National banks vote: 42.6% Yes; 29.8% No; 27.6% Indefinitely  
All banks vote: 47.0 " 32.2 " 20.8 "

QUESTION No. 5: What rate of exchange per thousand dollars did you charge for drafts sold over your counter prior to the inauguration of the Federal reserve clearing system?

ANSWER:	National Banks	All Banks	
18.0%	18.0%		Made no charge
8.0	4.0		Charged under 1/20
11.9	10.8		" 1/20
54.0	52.3		" 1/10
6.4	8.0		" 1/8
1.7	2.4		" 1/4
2.0	4.5		" Indefinitely

QUESTION No. 6: What rate of exchange per thousand dollars do you now charge for drafts sold over the counter?

ANSWER:	National Banks	All Banks	
18.0%	18.9%		Make no charge
1.6	1.9		Charge less than 1/20
12.6	11.2		" 1/20
49.3	53.2		" 1/10
5.6	5.2		" 1/8
1.6	2.1		" 1/4
10.7	7.5		" Indefinitely

QUESTION No. 7: What rate of exchange per thousand dollars did you charge for remitting to cover checks received through the mails, prior to the inauguration of the Federal reserve clearing system?

ANSWER:	National Banks	All Banks	
11.0%	11.0%		Made no charge
1.4	1.0		Charge less than 1/20
17.6	14.1		" 1/20
54.4	57.8		" 1/10
7.9	8.5		" 1/8
1.4	2.5		" 1/4
6.7	6.1		" Indefinitely

QUESTION No. 8: What rate of exchange do you now charge for remitting to cover checks received through the mails, from sources other than the Federal reserve system?

ANSWER:	National Banks	All Banks	
18.3%	17.0%		Make no charge
2.1	3.2		Charge less than 1/20
15.6	14.0		" 1/20
50.0	50.0		" 1/10
7.5	8.7		" 1/8
1.2	2.1		" 1/4
6.8	5.0		" Indefinitely

QUESTION No. 9: What percentage of your items are now coming to you through the Federal reserve banks?

ANSWER:	National Banks	All Banks	
45.4%	57.3%		10% or less
18.0	14.2		25%
15.2	12.2		50%
6.5	5.4		75%
8.0	3.9		Over 75%
6.9	7.0		Can't determine

QUESTION No. 10: What amount of net income or revenue do you figure your bank will lose per annum on account of the influence and operations of the present Federal reserve system?

ANSWER:	National Banks	All Banks	
20.0%	27.1%		Show a loss of less than \$500
31.3	36.0		" " " from \$500 to \$1,000
16.0	12.9		" " " " \$1,000 to \$2,000
12.3	11.6		" " " " of \$2,000 or over
14.4	12.4		Can't determine

QUESTION No. 11: Do you think it would be of advantage to the banks and to the general business interests for the Federal reserve banks to establish and maintain a clearing and collection system which will be voluntary and self-sustaining? That is a system:

First: Open for the use of those who desire to use it (no bank being obliged to use it);

Second: The expense of its maintenance to be borne by those who use it on a pro rata basis, as is the custom with regular clearing houses;

Third: Allowing banks to make a reasonable charge to cover expense of remittance and service;

Fourth: The system to have no connection whatever with the reserve feature, and to be operated and developed on merit only—that is, its ability to render the highest character of service along efficient and economical lines?

ANSWER: In event clearing feature is retained in the law:

National banks vote: 62% Yes; 24% No; 14% Indefinitely  
All banks vote: 55 " 30 " 15 "

QUESTION No. 12: If you think a plan as described above should be instituted, what rate would fairly cover your expense of remitting and your service:

ANSWER:	National Banks	All Banks	
19.3%	16.0%		Would cover at par
2.5	2.9		" charge less than 1/20
15.6	14.3		" " 1/20
33.2	38.0		" " 1/10
2.9	4.8		" " 1/5
1.0	.9		" " 1/4
25.5	23.1		" Indefinitely

QUESTION No. 13: Do you think Section 19 of the Federal Reserve Act should be amended so as to reduce the amount of reserves required for country banks? If so, to what per cent. should the required reserves be reduced?

ANSWER:  
National banks vote: 48.0% Yes; 34.6% No; 17.4% Indefinitely  
All banks vote: 35.8 " 31.3 " 32.9 "

The percentage varied largely but only a few banks suggested below nine per cent. and the majority favored ten per cent.

QUESTION No. 14: If the required reserves remain as now fixed, would you favor an amendment permitting country banks to carry one-fourth of their required reserves with national banks in cities now designated as "reserve cities" or in any national bank within a radius of 300 miles from the home of the respective country banks?

ANSWER:  
National banks vote: 88.6% Yes; 4.8% No; 6.6% Indefinitely  
All banks vote: 66.9 " 5.4 " 27.7 "

## COMMITTEE OF TWENTY-FIVE

### Representing Country Banks

Walker Broach, Meridian, Miss.  
Fred. Collins, Milan, Tenn.  
A. F. Dawson, Davenport, Iowa.  
M. J. Dowling, Olivia, Minn.  
F. T. Hardwick, Dalton, Ga.  
James B. Lambertson, Sioux Falls, S. D.  
F. E. Lyford, Waverly, N. Y.  
H. D. Marshall, Phoenix, Ariz.  
C. A. McCloud, York, Neb.  
J. D. Norwood, Demopolis, Ala.  
B. C. Powell, Camden, Ark.  
Harry M. Rubey, Golden, Colo.  
W. P. Sharer, Zanesville, Ohio.  
E. Kirby Smith, Shreveport, La.  
L. H. Wulfekuhler, Leavenworth, Kan.

### Representing Reserve City Banks

Nathan Adams, Dallas, Tex., Chairman.  
W. H. Bucholz, Omaha, Neb.  
Raymond B. Cox, Boston, Mass.  
A. A. Crane, Minneapolis, Minn.  
W. T. Fenton, Chicago, Ill.  
J. A. Lewis, St. Louis, Mo.  
Thos. B. McAdams, Richmond, Va.  
George G. Moore, Kansas City, Mo.  
W. D. Vincent, Spokane, Wash.  
Joseph Wayne, Jr., Philadelphia, Pa.  
Jerome Thralls, 5 Nassau Street, New York City, Secretary.

## FEDERAL ADVISORY COUNCIL CAN BE MADE TO OCCUPY A WIDER FIELD OF USEFULNESS

THE next important administrative improvement in the Federal reserve system will be to place the Federal Advisory Council in a better relation to the Federal Reserve Board and give it the opportunity of exercising a more practical usefulness. In the twenty-six months of its existence, even its own members have not been clear as to what its real functions are, and they have found cold comfort in the Federal Reserve Act upon this point. The language of the Act appears to confer clear and definite responsibilities upon the Advisory Council. Upon closer examination, it is not so clear that the law does after all provide a well-marked, independent field of work, with clearly defined duties, specific responsibilities, and opportunities for broad usefulness. Neither does it appear that the granting of authority is exclusive. As to a considerable part of the functions of the Advisory Council, they are no different in any respect than the rights and privileges enjoyed by any responsible private citizen, without the special permission of Congress.

These, according to the law, are the functions of the Federal Advisory Council:

1. To confer directly with the Federal Reserve Board on general business conditions.
2. To make oral or written representations concerning matters within the jurisdiction of said Board.
3. To call for information and make recommendations in regard to discount rates, rediscount business, note issues, reserve conditions in the various districts, the purchase and sale of gold or securities by reserve banks, open market operations by said banks, and the general affairs of the reserve banking system.

Some observers have commented that Congress has conferred powers that duplicate those already enjoyed by the regularly constituted officers of reserve banks, who in the course of their usual duties confer directly and frequently with the Board, make oral and written representations, and forward frequent recommendations. In an indirect way, the directors of reserve banks enjoy the same privileges, putting forward their representations and recommendations through the me-

dium of either the chairman or the governor of the reserve bank, or both.

Upon all the voluminous details in regard to discount rates, rediscount operations, note transactions, open market operations, dealings in gold and securities, and upon a long list of subordinate matters involving details of operation, there is a constant exchange of information and recommendations between the Federal Reserve Board and all of the Federal reserve banks, and the Board has since organization preserved an open-minded attitude and continuously sought for the best ideas and suggestions that the reserve banks have been able to present.

The Federal Reserve Board for two years has taken frequent occasion to confer directly with individual members of the public and individual members of the public have conferred directly with it.

The Federal Reserve Board has made oral and written representations, through public addresses and correspondence, and has received oral and written representations from individual members of the public; and the right so to approach the Board is obviously shared by any banker or business man in the United States.

The Board has sought to keep in touch with individual banking and business opinion, and has apparently been glad to receive the recommendations of individuals upon any points of interest.

In the gradual development of its own functions, the Federal Reserve Board has, in the opinion of many who have carefully watched its course, exercised great shrewdness and discretion, and has carefully built up relations within and without the system, of such a character as to give it very broad and substantial sources of information, and a close, friendly and mutually profitable touch with banking and commercial business. It established the semi-annual conferences of the twelve Federal reserve agents, at which the relations of the Federal Reserve Board with the respective Federal reserve banks are intimately discussed with the officers in the field, who possess facts and information as to reserve bank operations that obviously are not in the possession of any other individuals.

Going a step farther, the Board has had the benefit of the periodic conferences of the twelve governors of the reserve banks, in Washington, at which the operating details, and a wide range of subjects, have invariably been given a most exhaustive consideration.

The Federal Advisory Council is therefore the third deliberative body which the Federal Reserve Board has at hand and available for consultation and debate.

The Advisory Council was created in response to the feeling that in the administration of a system founded upon the affiliation of commercial banks, non-reserve system opinion should be given the opportunity of direct access to the responsible heads.

In practical operation some difficulties have occurred. The Federal Advisory Council membership has consisted of able men, a majority of whom have not been connected with the Federal reserve banks. This membership, drawn from twelve sections of the United States for periodic conferences, has been called away from commercial banking and business activities to deliberate upon Federal reserve banking operations. If the purpose of the Federal Advisory Council is to advise with the Reserve Board upon the efficiency of the reserve bank operating mechanism, it is obviously at a disadvantage, since it could not hope to have the information and experience upon which to found its opinions, that is possessed by either the Federal reserve agents' conferences or the conferences of the reserve bank governors. Such a council, composed of men who serve voluntarily and whose time and activities are very largely devoted to interests outside of the Federal reserve system, is at the disadvantage of being unable to acquire a close knowledge of the internal mechanism of the Federal reserve system, such as is possessed by men whose entire time is devoted to following and directing it.

One of the most serious handicaps appears in the law itself, which directs that members of the Federal Advisory Council shall serve for one-year terms. No provision is made for rotation in office, and while the law undoubtedly permits the re-election of Advisory Council members for more than one term, there is no provision to this effect. The Council is therefore at the mercy of whatever conditions may arise in the twelve Federal reserve

districts, and has no guarantee that after a year of faithful service, the orderly progress of its work may not be seriously disrupted by the entry of too large a proportion of new and inexperienced members.

With these difficulties and obstacles to contend with, it has taken the Advisory Council nearly two years to find itself. In common with the Federal Reserve Board and Federal reserve banks, it has faced problems that were entirely lacking in precedents, and in the handling of which there was no past experience to draw upon. Its earlier sessions were of a consultative and deliberative nature. As time and experience have operated to better adjust its relations with the Federal Reserve Board and the Federal reserve banks, it has been able gradually to work around toward definite policies, fairly well-established methods of work, and largely increased efficiency. Yet when this point is reached, the date also comes around on which the Advisory Council members are to be elected, and the Council is face to face with the annual reconstruction of its membership.

In dealing with the problem of creating conditions under which the Council can proceed with its work in an effective way, the best opinion is that the first step is to guard against too drastic a change in membership upon the annual election day. There is apparently no method of bringing this about except to go outside of the law and, by agreement among the Federal reserve banks, work out a schedule providing for the re-election of a substantial proportion of the old members, with safeguards against the injection of too much new blood.

In the selection of new members, various problems have come to the surface. Members having an official touch with the Federal reserve banks have been better informed and in many instances better equipped by experience to serve effectively on the Council. Yet it is obviously inappropriate that reserve bank officers serve in this capacity. In late December the Federal Reserve Board took cognizance of this problem and ruled informally that the Federal reserve banks may at their discretion elect members of their directorates to the Advisory Council, with the exception of the Class C director, who serves as chairman and Federal reserve agent, and the Class C director serving as vice-chairman, in case he is compensated for his services and is



under a salary approved by the Federal Reserve Board. This would restrict such choice to the directors of Classes A and B, and in some instances to a single director from Class C.

Here, again, a difference of opinion exists, for if it was the intent of the law to provide in the Federal Advisory Council a body of men not associated with the mechanism of the Federal reserve banks, who were qualified to express able and intelligent opinions from an independent standpoint, the service of reserve bank directors would be inappropriate. Such directors already have, through the conferences of Federal reserve agents and the governors' conferences, opportunities directly to present their views and opinions to the Board.

Those who hold to the opinion that the Advisory Council should preserve an independent position are, however, confronted with the fact that men out of touch with the daily operations of the Federal reserve banks are severely handicapped in obtaining information and a basis for judgment upon which to pass recommendations upon matters affecting reserve bank operations exclusively.

An interesting suggestion is that, after having provided by amendment to the law for the rotation in office of Federal Advisory Council members, by three-year terms, Congress confer upon such members the right to sit as ex-officio and inactive members of their respective Federal reserve bank boards. This suggestion is based upon the theory that since the Federal Reserve Board has ample opportunity to secure direct and authoritative opinions from all of those bearing the responsibility of Federal reserve bank management and operation, that it should also have the benefit of what might be termed neutral opinion—that is to say, the judgment of an able, conservative and substantial body of men, not responsible in any way for reserve bank operations, but yet in close contact with the banks, and possessed of opportunities to acquire an insight into their peculiar problems, as well as into their policies and methods of work, the details of their management and their relations with their members.

At the monthly sessions of the reserve bank directors, all the details of the current work of the bank are run through a sieve, and the incidental discussion, debate and expression of opinion is of a highly educative value. The thought is not to confer upon the Advisory Council member active

authority, but only to create a condition under which he can sit as an observer and acquire such a familiarity with his institution and its methods as will enhance his value in the deliberations of the Council.

An especially valuable opportunity is open to the Council if it will connect itself closely with all banking and commercial currents in the country, as distinguished from the influences set in motion by the Federal reserve banking system, and afford the Federal Reserve Board a closer and more intimate contact with the large banking affairs that are entirely outside of the reserve system, and with agriculture, commerce and industry as a whole.

Some observers have been inclined to comment upon the language of section twelve of the Federal Reserve Act as an attempt to create in the Federal Advisory Council a fifth wheel to the reserve system. Such a view is superficial. Any mechanical engineer would immediately remark that even a fifth wheel has its purposes, and in these modern times is very frequently relied upon as a steering device. The development of the Advisory Council to this point has never been suggested, nor would it be advisable. Yet it is apparent that if the problem of the adjustment of its relations to the Federal reserve system is properly solved, that it can become a valuable guiding influence.

Whether Congress can find time, in the light of twenty-six months' experience, to redraft section twelve, placing the Advisory Council in a better position to operate effectively, is something of a problem. It is well known that the calls at the present and coming sessions will be very heavy, and its opportunities to go carefully into an examination of the methods by which the Reserve Act can be strengthened are comparatively limited.

There has been a very marked improvement in the effectiveness of the Council's work during 1916, with a broader and better view of its possibilities and opportunities. It would be unfortunate if, in the event of the failure of Congress to give consideration to this subject during the present year, the Federal reserve banks did not take the bull by the horns and come into agreement upon some action that will enable the Council to avoid too great a readjustment of membership, and to give it in the meantime better opportunities of keeping in touch with current reserve bank activities.

M. L. C.

## THE GREENBACKS AND CURRENCY REFORM

By GEORGE LEWIS

THE greenbacks constitute the fifth wheel in the coach of American banking. They are the dead load in the currency machine, one of the greatest obstacles in the way of sane currency reform. Born of war time stress, greenbacks have outlived the emergency which produced them and survive only because of a sentiment. Whenever in the past their retirement has been suggested, opposition has come from those to whom the phrase "government money" means everything that it should not, but who, unfortunately, have nevertheless held the balance of power; and so in spite of argument and disturbance, the greenback hangs on.

These statements are not made merely because it is fashionable to abuse the greenbacks. As a matter of fact, it is only within very recent months that a definite trend of thought has set in looking to their retirement; and as this thought has been guided by the highest financial authorities, their weight of opinion could not well be disregarded. Hence the greenbacks have begun to attract to themselves a considerable share of blame for a redundancy in our currency, for the sole reason that their unfitness was brought to a head by the introduction of a new element—the Federal reserve note—which carried within itself the possibilities of an elastic currency but which was superimposed upon a structure already at the point of currency saturation.

There are outstanding today \$346,681,016 of the old war time greenbacks and \$2,040,909 of Treasury notes of 1890 issued on account of silver purchases, but payable in coin, making a total of \$348,721,925 legal tender notes. At the time the Federal Reserve Act went into effect there were in circulation national bank notes to the amount of \$1,083,519,080, gold certificates to the amount of \$913,347,859 and silver certificates \$482,776,199, besides the several sums held in the treasury and the gold and silver, etc., as shown in detail in the accompanying table. The volume of greenbacks outstanding and in the treasury was not much different two years ago from what it is today; students of political economy discover early in their researches that the only way to retire a greenback is to lose it, and so the bulk wears down

slowly by attrition. At all events, to this heterogeneous mass was added, when the Reserve Act went into effect, two new elements: the Federal reserve note, which was based on gold or commercial paper properly documented, and the Federal reserve bank note, which differed from the old national bank note only in that it was issued by the Federal reserve banks.

CURRENCY ELEMENTS	OCTOBER 31, 1914	JUNE 30, 1916
Gold coin in treasury.....	\$869,651,712	\$999,836,878
Gold coin in Federal reserve banks .....		8,963,006
Gold coin in circulation....	665,851,219	637,249,272
Gold bullion in treasury...	299,910,367	803,657,055
Standard silver dollars in treasury .....	495,613,027	501,855,387
Standard silver dollars in circulation .....	70,273,451	66,414,932
Subsidiary silver in treasury	21,174,024	17,440,137
Subsidiary silver in circulation .....	162,470,390	171,418,046
United States notes in treasury .....	11,777,297	4,961,469
United States notes in circulation .....	334,903,719	341,719,517
Treasury notes in treasury.	8,611	4,835
Treasury notes in circulation .....	2,377,389	2,098,165
National bank notes in treasury .....	37,949,831	24,773,866*
National bank notes in circulation .....	1,083,519,080	719,400,794
Federal reserve bank notes in treasury.....		38,005*
Federal reserve bank notes in circulation.....		8,961,995
Federal reserve notes in treasury .....		3,067,665
Federal reserve notes in circulation .....		173,100,785
Gold certificates in treasury	33,632,010	164,165,380
Gold certificates in reserve banks .....		151,577,000†
Gold certificates in circulation .....	913,347,859	1,413,823,289
Silver certificates in treasury	11,055,801	9,540,063
Silver certificates in circulation .....	482,776,199	489,910,937

\*Includes also holdings of mints and Federal reserve banks.

†Held by Federal reserve banks or Federal reserve agents against issues of Federal reserve notes.

The Federal reserve note has in it the potentiality of an elastic currency. The Federal reserve bank note is just as far from being an elastic element as the national bank note with its basis of bonds, and was issued by the reserve banks as a means of adding to their very small revenue at the time the new system began business. It is important to observe that at the commencement of their career the Federal reserve banks were confronted with a redundancy of currency which sent interest rates down to low levels and made it practically impossible for them to earn money through the making of rediscounts or any of the open market operations for which they were designed, and hence some of the reserve banks sought to make both ends meet by resort to the power to issue more bond-secured bank notes. This plethora of currency resulted from the fact that while new elements were added, the old were left undisturbed except for the unsatisfactory provision made for the retirement of the national bank notes; and for a temporary stay of the consequences of inflation we can thank war conditions and war business.

With the national bank notes it is not so difficult to deal, as there are no popular illusions concerning them; but with the greenbacks a deep rooted sentiment, as has been stated, makes the problem difficult. Their issue has been assumed to rest in part upon the national borrowing power, and judicial decisions which have upheld their continued re-issue have described them as constituting a forced loan from government creditors. "It has been the policy of the government, as well as its plain duty, to redeem these (the greenbacks), in gold upon presentation to the treasury, ever since specie payments were resumed in 1879, and this is now compulsory by statute (81 Stat. c.343, § 2). A reserve fund of \$150,000,000 in gold is now maintained for this purpose, and the same statute provides that should it fall below \$100,000,000 in amount, on account of excessive redemptions that cannot be made good by the purchase of other gold with the notes thus redeemed, the United States shall issue bonds for gold to restore this fund to its maximum of \$150,000,000. Moreover, the same statute expressly

adopts the gold standard for the United States and makes it the duty of the Secretary of the Treasury to maintain all money issued or coined by the government at a parity of value with this standard."\*

What the United States government is undertaking to do, then, is to maintain its 340 odd millions in legal tender notes at a parity with gold. This is accomplished, as described, through the expensive process of issuing bonds, and paying interest on them, to maintain the gold reserve fund. It may be remarked incidentally that even this reserve fund dates only from the comparatively recent enactment of the statute referred to (Act of March 14, 1900, sec. 2). Prior to that time the adherents of fiat currency were sufficiently strong to maintain in practice the notion that the government's credit was sufficient security for the repayment of the notes when presented.

"If our currency is redundant," said Governor Harding of the Federal Reserve Board in a recent address, "would it not be wise to strengthen it by retaining gold, at the same time retiring the notes that have caused so much controversy and disturbance in times past? The principal objection will probably come from those who may fear that the retirement of the legal tender notes will lead to permanent contraction, but if they could be convinced that this is not the case and that the vacuum created could be filled at any time when necessary by Federal reserve notes of a truly elastic character, their opposition would have little to rest upon. If Congress should ever decide upon the retirement of the greenbacks, the Federal reserve banks could be utilized as a means of effecting the operation, without the slightest disturbance to interest rates or to credit facilities."

If Congress, at the present session, can be converted to a recognition of the necessity for providing for the withdrawal of the greenbacks and the more rapid retirement of the national bank notes, thus allowing the volume of currency to respond more accurately to the needs of business, through the issue of Federal reserve notes based on commercial transactions, a great forward step in monetary reform will have been taken.

\*"Banking Reform." J. Laurence Laughlin. Chicago, 1912.

## BANKING BILLS IN CONGRESS

**T**HREE bills of interest to bankers were introduced in Congress last month. The first bill was offered by Mr. Glass and is designed to carry into effect the recommendation of the Federal Advisory Council as to the final transfer of reserves to the Federal reserve banks before the time fixed when the Act was originally passed. In this recommendation the Federal Reserve Board concurred. In its amended form section nineteen would contain no statement as to the time in which reserves should be turned over. It states simply the amount of reserve requirements and where they shall be held and provides that the Act shall become effective sixty days after its passage. If the amendment is passed in January the final payment of reserves would be made in March.

The second bill, introduced by Mr. McFadden, and referred to the Banking and Currency Committee, would amend that portion of section nineteen which refers to the reserve of country banks. It is in accord with the resolution unanimously adopted at the convention in Kansas City and indorsed by country bankers almost without exception. It provides for a reduction in the reserve of country banks from twelve to ten per cent. equally divided between the vaults of members and the Federal reserve banks.

The third bill, introduced by Mr. Raker, provides for the amendment of the third paragraph of section fifteen of the Federal Farm Loan Act. The purpose of this bill is not apparent on its face but the addition of the words "chartered by the Federal government" is presumably intended to permit the Federal reserve banks to act as agents of the Federal Farm Loan Board in making loans on farm lands.

The three bills are as follows:

A bill to amend the Act approved December twenty-third, nineteen hundred and thirteen, known as the Federal Reserve Act.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That section nineteen of the Act approved December twenty-third, nineteen hundred and thirteen, known as the Federal Reserve Act, as amended by the Act of August fifteenth, nineteen hundred and fourteen, be further amended and re-enacted so as to read as follows:

"Sec. 19. Demand deposits within the meaning of

this Act shall comprise all deposits payable within thirty days, and time deposits shall comprise all deposits payable after thirty days, and all savings accounts and certificates of deposit which are subject to not less than thirty days' notice before payment.

"Every bank, banking association, or trust company which is or which becomes a member of any Federal reserve bank shall establish and maintain reserves as follows:

"(a) A bank not in a reserve or central reserve city as now or hereafter defined shall hold and maintain reserves equal to twelve per centum of the aggregate amount of its demand deposits and five per centum of its time deposits, as follows:

"In its vaults, four-twelfths thereof.

"In the Federal reserve bank of its district, five-twelfths.

"The remaining three-twelfths shall be held in the vaults of the member bank or in the Federal reserve bank, or in both, at the option of the member bank.

"(b) A bank in a reserve city, as now or hereafter defined, shall hold and maintain reserves equal to fifteen per centum of the aggregate amount of its demand deposits and five per centum of its time deposits, as follows:

"In its vaults, five-fifteenths thereof.

"In the Federal reserve bank of its district, six-fifteenths.

"The remaining four-fifteenths shall be held in its vaults or in the Federal reserve bank, or in both, at the option of the member bank.

"(c) A bank in a central reserve city, as now or hereafter defined, shall hold and maintain a reserve equal to eighteen per centum of the aggregate amount of its demand deposits and five per centum of its time deposits, as follows:

"In its vaults, six-eighteenhs thereof.

"In the Federal reserve bank of its district, seven-eighteenhs.

"The remaining five-eighteenhs shall be held in its own vaults or in the Federal reserve bank, or in both, at the option of the member bank.

"No member bank shall keep on deposit with any non-member bank a sum in excess of ten per centum of its own paid-up capital and surplus. No member bank shall act as the medium or agent of a non-member bank in applying for or receiving discounts from a Federal reserve bank under the provisions of this Act except by permission of the Federal Reserve Board.

"The reserve carried by a member bank with a Federal reserve bank may, under the regulations and subject to such penalties as may be prescribed by the Federal Reserve Board, be checked against and withdrawn by such member bank for the purpose of meeting existing liabilities: *Provided, however,* That no bank shall at any time make new loans or shall pay any dividends unless and until the total reserve required by law is fully restored.



"In estimating the reserves required by this Act, the net balance of amounts due to and from other banks shall be taken as the basis for ascertaining the deposits against which reserves shall be determined. Balances in reserve banks due to member banks shall, to the extent herein provided, be counted as reserves.

"National banks or banks organized under local law located in Alaska or outside the continental United States may remain non-member banks and shall in that event maintain reserves and comply with all the conditions now provided by law regulating them; or said banks may, with the consent of the reserve board, become member banks of any one of the reserve districts and shall in that event take stock, maintain reserves, and be subject to all the other provisions of this Act.

"Nothing contained in this Act shall be construed as repealing that part of section eleven of the Act of December twenty-third, nineteen hundred and thirteen, as amended by the Act of September seventh, nineteen hundred and sixteen, which authorizes the Federal Reserve Board to permit member banks to carry in the Federal reserve banks of their respective districts any portion of their reserves now required by section nineteen of this Act to be held in their own vaults."

Sec. 2. That this Act shall become effective sixty days after its passage.

A bill to amend the Act approved December twenty-third, nineteen hundred and thirteen, known as the Federal Reserve Act.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That section nineteen, subsection (a), of the Act approved December twenty-third, nineteen hundred and thirteen, known as the Federal Reserve Act, be amended and re-enacted so as to read as follows:

"A bank not in a reserve or central reserve city as now or hereafter defined shall hold and maintain reserves equal to ten per centum of the aggregate amount of its demand deposits and five per centum of its time deposits, as follows:

"In its vaults, five-tenths thereof.

"In the Federal reserve bank of its district, five-tenths thereof.

"Nothing contained in this Act shall be construed as repealing that part of section eleven of the Act of

December twenty-third, nineteen hundred and thirteen, as amended by the Act of September seventh, nineteen hundred and sixteen, which authorizes the Federal Reserve Board to permit member banks to carry in the Federal reserve banks of their respective districts any portion of their reserve now required by section nineteen of this Act to be held in their own vaults."

Sec. 2. That this Act shall become effective sixty days after its passage.

A bill to amend an Act entitled "An Act to provide capital for agricultural development, to create standard forms of investment based upon farm mortgage, to equalize rates of interest upon farm loans, to furnish a market for United States bonds, to create Government depositaries and financial agents for the United States, and for other purposes," approved July seventeenth, nineteen hundred and sixteen (session one, chapter two hundred and forty-five, page three hundred and sixty, Sixty-fourth Congress).

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the Act entitled "An Act to provide capital for agricultural development, to create standard forms of investment based upon farm mortgage, to equalize rates of interest upon farm loans, to furnish a market for United States bonds, to create Government depositaries and financial agents for the United States, and for other purposes," approved July seventeenth, nineteen hundred and sixteen (session one, chapter two hundred and forty-five, page three hundred and sixty, Sixty-fourth Congress), be, and the same is hereby, amended by striking out the third paragraph of section fifteen of said Act, which paragraph reads as follows: "No agent other than a duly incorporated bank, trust company, mortgage company, or savings institution, chartered by the State in which it has its principal office, shall be employed under the provisions of this section," and in lieu thereof insert the following: "No agent other than a duly incorporated bank, trust company, mortgage company, or savings institution, chartered by the Federal Government, or by the State in which it has its principal office, shall be employed under the provisions of this section."

## A COUNTRY WITHOUT A BANKING LAW

All commercial and banking business in Honduras is governed by the rulings of the *Codigo de Comercio* (Commercial Code), Honduras having no banking law. Honduras has three banks of issue, the Banco de Honduras, Banco Atlantida,

and the Banco de Comercio. Each institution works under a special concession granted by the government. The combined capital of the three banks is 1,542,500 pesos and the outstanding bank notes 785,000 pesos.

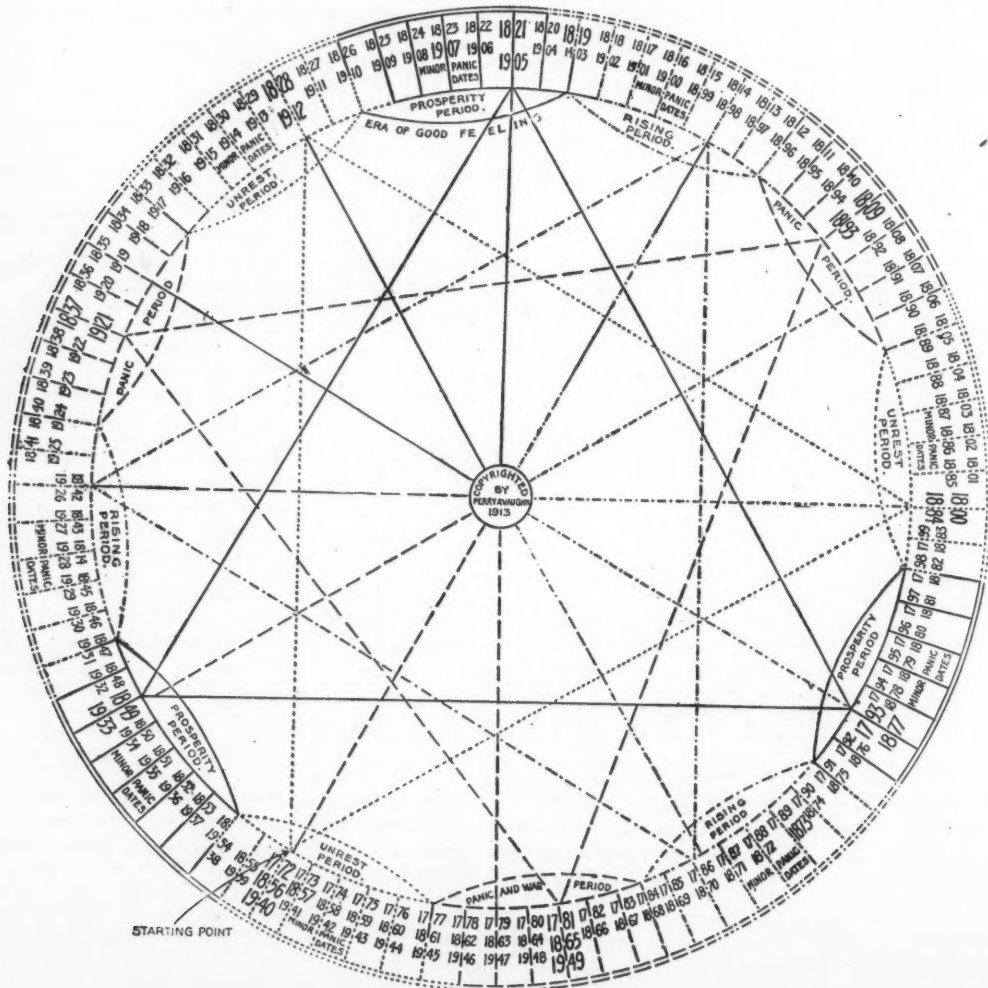


## PERIODIC LAW OF PANICS AND PROSPERITY

Perry A. Vaughn, of Rock, Kan., has charted time from 1772 to 1949 in such a manner as to show periods of unrest, panic, recovery and prosperity. Mr. Vaughn's chart is a circle on the periphery of which appear the dates. The dates in turn are linked—panic dates with panic dates, prosperity dates with prosperity dates—by index lines in the circle. The revolutionary war period, for instance, is in a group of dates marked "panic and war period." Then by following the dates on the chart in chronological order we come to the

Civil War period and we find it grouped with the Revolutionary War period and under the same caption, "panic and war period." The chart shows the dates 1910 to 1917 in an unrest period and the dates 1918 to 1924 in a panic period while the dates 1925 to 1931 are scheduled as a rising period, 1932 to 1938 in a prosperity period, 1939 to 1945 an unrest period and 1946 to 1949 a panic and war period.

In his explanation of the chart Mr. Vaughn says: "After a careful study we find that the



history of our country falls naturally into periods of seven years each. These seven year periods are of four kinds, viz., unrest, panic, recovery and prosperity. Prosperity is then followed by unrest and the other periods follow in order. In other words the country passes through an unrest period every seven years. This period is followed by a seven year panic period. This panic period is then followed by a seven year recovery period and this in turn is followed by a seven year prosperity period. As can be seen, every twenty-eight years the country passes through a panic period of seven years.

"There is a striking similarity in conditions every eighty-four years. For instance, the closing dates of the Revolutionary and Civil Wars are eighty-four years apart. The panics of 1809 and

1893 are eighty-four years apart and were similar, at least in the respect that they were both low price panics. During the administration of James Monroe the country passed through an era of good feeling which had never existed before and such an era of good feeling did not exist after that time until the administration of Theodore Roosevelt, a period of eighty-four years. The election of Woodrow Wilson in 1912 is eighty-four years from the election of Andrew Jackson in 1828. The banking question was thoroughly discussed both before and after these elections. President Jackson changed the system of banking during his administration and President Wilson did likewise. In both cases the tariff was revised downward."

## FEDERAL RESERVE BANK DIVIDENDS

The Federal reserve banks of Cleveland, Philadelphia and Minneapolis have declared dividends covering earnings from November 16, 1914 to July 1, 1915. The Federal Reserve Bank of New York has declared its first dividend for the period from November 2, 1914 to March 31, 1915. With these dividend declarations there remain only two reserve banks that have not declared dividends, viz., Boston and St. Louis.

The law provides that "the stockholders shall be entitled to receive an annual dividend of six per cent. on the paid-in capital stock, which dividend shall be cumulative. After the aforesaid

claims have been fully met, all the net earnings shall be paid to the United States as a franchise tax, except that one-half of such net earnings shall be paid into a surplus fund until it shall amount to forty per cent. of the paid-in capital stock of such bank."

Earnings and expenses of the Federal reserve banks for the nine months ending September 30, 1916:

Earnings and expenses of the Federal reserve banks from November 2, 1914, to December 13, 1915:

	Total Earnings	Current Expenses	Excess of Earnings
Boston .....	\$125,459	\$116,143	\$9,316
New York .....	345,035	281,346	63,689
Philadelphia .....	134,475	121,691	12,784
Cleveland .....	113,815	123,198	*9,383
Richmond .....	319,580	104,310	215,270
Atlanta .....	236,460	103,440	133,020
Chicago .....	268,885	200,307	68,578
St. Louis .....	86,833	156,179	*69,346
Minneapolis .....	100,112	92,014	8,098
Kansas City .....	102,474	125,953	*23,479
Dallas .....	244,666	125,638	119,028
San Francisco .....	115,961	127,420	*11,459
Total .....	\$2,193,755	\$1,677,639	\$516,116

\*Excess of current expenses.

	Total Earnings	Excess of Earnings Current Expenses	Per Cent. of Average Capital
Boston .....	\$292,993	\$183,646	4.87
New York .....	618,700	280,862	3.31
Philadelphia .....	266,254	123,900	3.16
Cleveland .....	255,807	102,365	2.29
Richmond .....	234,533	148,486	5.90
Atlanta .....	170,809	76,642	4.17
Chicago .....	415,032	250,273	5.01
St. Louis .....	182,865	44,350	2.12
Minneapolis .....	152,119	49,087	2.55
Kansas City .....	254,048	123,722	5.48
Dallas .....	226,063	118,843	5.85
San Francisco .....	173,601	25,830	.87
Total .....	\$3,242,336	\$1,528,018	3.70

Following is a recapitulation of earnings and expenses for the two periods:

	Earnings	Expenses	Excess of Earnings
From Nov. 2, 1914, to Dec. 31, 1915 .....	\$2,193,755	\$1,677,639	\$516,116
From Jan. 2, 1916, to Sept. 30, 1916 .....	3,242,336	1,714,323	1,528,013
Total .....	\$5,436,091	\$3,391,962	\$2,044,129

## THE TAXATION OUTLOOK FOR 1917

By L. AMES BROWN

THE country is faced by a prospective steady increase in taxation. The expenditures of the government are expanding every year and particular emphasis will be laid upon this statement in the next fiscal year, when expenditures already authorized will produce a deficit of \$200,000,000 in the Treasury Department unless new sources of funds are procured. Of course, it is true that the preparation of a new revenue bill which will provide for the funding of this deficit and a safe margin beyond that, as well as the additional new expenditures to be authorized at this session, will constitute one of the most important tasks to be performed by Congress. There is talk already at Washington of the Congress leaders shifting some of the responsibility for framing the new revenue measure to the shoulders of the President and trying to prevail upon him to deliver a special address setting forth proper sources for the required new revenue.

These authorized expenditures and the imminent authorizations do not develop the darkest shadow which falls across the path of those entrusted with the task of seeing that the government has the funds necessary to pay its bills. That shadow is cast by the national prohibition crusade. Representative Fitzgerald of New York, the chairman of the House committee on appropriations, recently predicted national prohibition and uttered a warning to Congress that as soon as prohibition is adopted a deficit of \$237,000,000 will be created in the Federal treasury. To quote Mr. Fitzgerald,

A deficit of \$237,000,000 stares us in the face. We might as well face it. The country is going "dry." When it does go "dry" we no longer will collect liquor taxes, and Congress will, therefore, have the problem of raising \$237,000,000. Where will we raise it? Will we have another Payne-Aldrich tariff? You cannot for the life of you raise more than \$350,000,000 out of a tariff. Let's stop burying our heads in the sand.

Mr. Fitzgerald's prognostications and the present financial situation of the government give rise to the same sort of speculation and inquiry for the serious student of public affairs. It is a matter of developing new sources of taxation at a time when the Congress politicians already have wracked their brains to locate sources which can be

drawn upon without political danger; either that or turning back to the old tariff schedules. The democrats would certainly seem to be justified by the necessities of the revenue in drawing more heavily upon the customs, and there is hardly any doubt in the world that they will come around to this point of view some time in the next four years. It is similarly sound to predict that President Wilson will be in the van of the tariff changers and that he will take the responsibility of recommending to the country the hoisting of tariff schedules. The President has declared his intention to wait, however, until the Tariff Commission has had an opportunity to make a study and report upon the effect of the European war upon competitive conditions. This, of course, indicates that he would welcome information from the Tariff Commission to guide him in adjusting the tariff schedules so that in providing needed revenue they might furnish the business men of the country with the greatest possible measure of protective benefits. The President's views in the matter thus authoritatively disclosed, coupled with the actual demands of the financial situation of the government, clearly foreshadow an upward revision as desired by the nation's business men.

The fact that the revision will not be reached in time to meet the deficit of the next fiscal year injects numerous interesting considerations into the revenue problem. In the first place, there are a number of republicans who are either indifferent or opposed to the minority party making an effort to organize the House of Representatives in 1917, believing as they do that a very embarrassing task of taxation faces the party to control the next House and that the republicans would be better off politically if they could shoulder this responsibility off on the democrats. All men experienced in politics recognize that parties responsible for new taxation levies frequently incur popular disfavor, and the reported unwillingness of some republicans to accept the responsibilities of the House majority has aroused some sympathy.

The fact that a tariff revision at this session is precluded by the President's mandate assures the reopening of the fight over income tax exten-



sions. The difficulty of extending the income tax is enhanced by the fact that new inroads were made upon incomes at the last session of Congress. The House insisted upon raising the rates upon incomes above \$4,000, especially upon the great incomes of the country, and refused to lower the exemption. Many logical criticisms were made against this taxation policy. It was pointed out that such laws tend to create class distinctions and arouse class feelings and that they are fundamentally unjust in that they do not democratize the levies which they make. Already it is certain that when the ways and means committee turns to the income tax it will do so with the same preconceived ideas. The Washington correspondent of the *New York World* has found this out and he asserts that increases will be made as follows:

One per cent. additional upon the amount by which the total net income exceeds \$15,000 and not \$20,000; two per cent. on incomes between \$20,000 and \$40,000; three per cent. between \$40,000 and \$60,000; four per cent. between \$60,000 and \$80,000; five per cent. \$80,000 to \$100,000; six per cent. \$100,000 to \$150,000; seven per cent. \$150,000 to \$200,000; eight per cent. \$200,000 to \$250,000; nine per cent. \$250,000 to \$300,000; ten per cent. \$300,000 to \$500,000; eleven per cent. \$500,000 to \$1,000,000; twelve per cent. \$1,000,000 to \$1,500,000; thirteen per cent. \$1,500,000 to \$2,000,000; fourteen per cent. above \$2,000,000.

The estate tax would be so changed that the government would receive two per cent. of the amount of net estates not in excess of \$50,000 and above that amount as follows:

Three per cent. from \$50,000 to \$150,000; four per cent. \$150,000 to \$250,000; five per cent. \$250,000 to \$450,000; six per cent. \$450,000 to \$1,000,000; seven per cent. \$1,000,000 to \$2,000,000; eight per cent. \$2,000,000 to \$3,000,000; nine per cent. \$3,000,000 to \$4,000,000; ten per cent. \$4,000,000 to \$5,000,000 and eleven per cent. over \$5,000,000.

All of the arguments against maintaining the exemption at its present point will be accentuated when the controversy is reopened and if the ways and means committee does attempt to raise another \$100,000,000 or so from the income tax, as it is now divided, this method of taxation will be subjected to greater criticism than has been advanced at any time since the income tax amendment to the Constitution was ratified. The alignment in the present Congress, however, is unlikely to be varied from that at the last session, for Congressman Kitchin, the majority leader, appears to have as many sympathizers as ever with his conviction

that the men of small incomes who would bear arms in time of war ought not to have to help pay for the cost of developing the instrumentalities of national defense. It is already possible to indicate the position President Wilson will take if Congress calls upon him for advice. He will oppose a bond issue, except for emergency expenses like those of the border expedition, will not oppose a reduction of the income tax exemption, and will favor a gasoline tax and other excises suggested by him in his message to Congress December, 1915. The President himself indicated in the presence of the correspondent of *The Journal of The American Bankers Association* a short time ago that he considers all of the suggestions he made in connection with the revenue problem in 1915 as having valid application to the problem which Congress now faces. In that annual message the President said:

We are frequently reminded that there are many millions of bonds which the Treasury is authorized under existing law to sell to reimburse the sums paid out of current revenues for the construction of the Panama Canal; and it is true that bonds to the amount of approximately \$222,000,000 are now available for that purpose. Prior to 1913, \$134,631,980 of these bonds had actually been sold to recoup the expenditures at the Isthmus; and now constitute a considerable item of the public debt. But I, for one, do not believe that the people of this country approve of postponing the payment of their bills. Borrowing money is short-sighted finance. It can be justified only when permanent things are to be accomplished which many generations will certainly benefit by and which it seems hardly fair that a single generation should pay for. The objects we are now proposing to spend money for cannot be so classified, except in the sense that everything wisely done may be said to be done in the interest of posterity as well as in our own. It seems to me a clear dictate of prudent statesmanship and frank finance that in what we are now, I hope, about to undertake we should pay as we go. The people of the country are entitled to know just what burdens of taxation they are to carry, and to know from the outset, now. The new bills should be paid by internal taxation.

To what sources, then, shall we turn? This is so peculiarly a question which the gentlemen of the House of Representatives are expected under the Constitution to propose an answer to that you will hardly expect me to do more than discuss it in very general terms. We should be following an almost universal example of modern governments if we were to draw the greater part or even the whole of the revenues we need from the income taxes. By somewhat lowering the present limits of exemption and the figure at which the surtax shall begin to be imposed, and by increasing, step by step throughout the present graduation, the surtax it-

self, the income taxes at present apportioned would yield sums sufficient to balance the books of the Treasury at the end of the fiscal year 1917 without anywhere making the burden unreasonably or oppressively heavy. The precise reckonings are fully and accurately set out in the report of the Secretary of the Treasury which will be immediately laid before you.

And there are many additional sources of revenue which can justly be resorted to without hampering the industries of the country or putting any too great charge upon individual expenditure. A tax of one cent per gallon on gasoline and naphtha would yield, at the present estimated production, \$10,000,000; a tax of fifty cents per horse power on automobiles and internal explosion engines, \$15,000,000; a stamp tax on bank cheques, probably \$18,000,000; a tax of twenty-five cents per ton on pig iron, \$10,000,000; a tax of twenty-five cents per ton on fabricated iron and steel, probably \$10,000,000. In a country of great industries like this it ought to be easy to distribute the burdens of taxation without making them anywhere bear too heavily or too exclusively upon any one set of persons or undertakings. What is clear is, that the industry of this generation should pay the bills of this generation.

At the same time that the Administration and Congress leaders are busying themselves upon the problem of providing revenues, they will be on the alert to prevent raids upon the Treasury and to effectuate desirable economies wherever possible. In this connection it should be made clear that the Administration already has taken steps to head off the public buildings bill, which has been hanging over the heads of Congress for two years and which would involve the expenditure of approximately \$40,000,000 upon unnecessary undertakings. The Administration will frown upon any very comprehensive rivers and harbors appropriation bill and will hold out for the appropriation of money only for those waterway projects which clearly merit the government's support. It is expected to take a similar attitude toward the flood reclamation project, which is being characterized in many quarters as another thinly disguised raid upon the Treasury for something like \$20,000,000.

The times lend themselves to effective efforts at economy among the Congress members. The

election period is over and the members who make up the present Congress do not have to face their constituents for two years. Thus it is that the pressure for "pork" is weaker than it was at the last session and the public men of the nation are in a measure emancipated from political influences. In this wholesome atmosphere the President will be free to take a more vigorous stand for economy than might otherwise be possible. Representative Fitzgerald, chairman of the committee on appropriations, already has begun a strong-hearted campaign and has nailed every extravagant project that has raised its head in the House at the present session. His opposition has been directed especially at the proposal to provide a general increase of salaries and wages for those in the government's employment.

These economical activities of the Congress and Administration leaders will not suffice, however, to prevent a deficit. The fact is that Congress at the last session authorized a great many expenditures for national defense and other government projects which it did not proceed to provide money for in the omnibus revenue bill adopted at that session. On the eve of a political campaign it would not have been wise to provide for the payment of any bills which did not fall due in the present fiscal year. Instances of authorizations then made upon which payment could thus be deferred comprise the bulk of the navy increase expenditures then authorized, much of the authorizations for army and fortification improvements and the \$50,000,000 which was authorized to be invested in a government-controlled merchant marine. In addition, Congress must provide means of paying the expenses of the military expedition to the border which was made because of Carranza's inability to maintain order in Northern Mexico. That expense is a running one. It already has totaled more than \$50,000,000 and will exceed \$100,000,000 before the troops are withdrawn.



## TITLE CHANGES AMONG BANK OFFICERS

Following is a list of officers' title changes in institutions which are members of the American Bankers Association, reported to the JOURNAL-BULLETIN during December. Members will confer a favor by notifying this department immediately of any such changes. Publication will be made only on receipt of information direct from members:

### CALIFORNIA

El Centro—James K. Hermon, formerly vice-president Security Commercial & Savings Bank, now president. J. S. Ross, director, succeeds Mr. Hermon as vice-president.

Los Angeles—F. W. Sinclair, formerly cashier First National Bank, Redlands, now vice-president and cashier Continental National Bank, Los Angeles, succeeding W. D. Howard, who becomes first vice-president.

San Francisco—H. G. Larsh, formerly assistant cashier Union Trust Company, now cashier and secretary, succeeding the late Herman Van Louven.

### CONNECTICUT

Middletown—Frank B. Weeks, formerly vice-president Middletown Savings Bank, now president, succeeding the late George A. Coles.

### LOUISIANA

New Orleans—J. H. Fulton, formerly president Commercial National Bank and Commercial Germania Trust & Savings Bank, now vice-president National City Bank, New York City. Mr. Fulton takes office January 15, 1917, remaining on the boards of both New Orleans banks.

### MARYLAND

Baltimore—C. Bradley Hayes, formerly as-

sistant cashier Merchants-Mechanics First National Bank, now cashier Citizens National Bank.

### NEW JERSEY

Jersey City—Joseph G. Parr, formerly cashier The Claremont Bank, now president, succeeding the late Edward S. Pierson. Charles E. Frazee, formerly assistant cashier, now cashier.

### NEW YORK

New York City—Thomas Cochran, formerly president Liberty National Bank, now member of J. P. Morgan & Company. Harvey Dow Gibson, formerly vice-president, succeeds Mr. Cochran as president.

Lake Placid—Howard Cline, formerly cashier The Lake Placid National Bank, now cashier National Bank of Westfield, Westfield, N. J.

### PENNSYLVANIA

Philadelphia—J. Harper Dripps, formerly cashier National Security Bank, now president, succeeding the late Philip Doerr.

### UTAH

Salt Lake City—A. C. Sullivan, formerly assistant cashier Salt Lake Security & Trust Company, now cashier, succeeding George M. Cannon, resigned.

## NOT DEAD

In the September issue of the JOURNAL-BULLETIN, there appeared in the Mortuary Record the name of R. H. Griffin, vice-president Peoples Trust and Savings Bank, Chicago. Mr. Griffin has just written us—on a letterhead of good bond paper which has every appearance of belonging to this substantial, non-ghostly world—to say that while some of his friends might consider that he had committed business suicide by moving to Buffalo, he felt that he had connected with a rather live institution. This proves to be the Citizens Commercial Trust Company of that city, which absorbed the Citizens Bank and the Black Rock Bank October 2, 1916, and Mr. Griffin is one of the

vice-presidents. "I really wish," writes Mr. Griffin to General Secretary Farnsworth, "that the information in your JOURNAL as given might be corrected, not for myself, but for the benefit of my friends, if such I have, who might be afflicted with any of the various forms of heart affection. I only fear that some of them might not be believers in ghosts. I assure you I appreciate how difficult it must be to keep accurate record of all the bankers in the country and your good work for the Association." The General Secretary and the editors regret that this error occurred through the inadvertent use of an inaccurate report, but they are glad to deal with so good-natured a ghost.

## REGISTRATION AT THE ASSOCIATION OFFICES

DURING THE MONTH OF DECEMBER, 1916

- Aiken, F. M., New York City.  
Almf, O. F., Bank of British North America, New York City.  
Baker, Herma I., Los Angeles, Cal.  
Berger, Godfrey F., Jr., Buffalo, N. Y., president Buffalo Chapter American Institute of Banking.  
Blackburn, Thomas W., Omaha, Neb.  
Brown, Thomas, Yonkers, N. Y.  
Cook, E. C., New York City.  
Cooley, A. H., Hartford, Conn.  
Cox, Robt. Lynn, New York City. General Counsel and Manager Association of Life Insurance Presidents.  
Dabney, W. T., Chamber of Commerce, Richmond, Va.  
Drake, Luther, president Merchants National Bank, Omaha, Neb.  
Edwards, Geo. E., president Dollar Savings Bank, New York City.  
Farnsworth, Mrs. Fred. E., Huntington, L. I.  
Farnsworth, Frederick C., Huntington, L. I.  
Fleming, Fred. W., vice-president Kansas City Life Insurance Company, Kansas City, Mo.  
Fulton, J. H., president Commercial National Bank and Commercial Germania Trust & Savings Bank, New Orleans, La.  
Gwin, Earl S., president American Southern National Bank, Louisville, Ky.  
Hart, H. I. C., president Lenawee County Savings Bank, Adrian, Mich.  
Hawley, N. F., secretary and treasurer Farmers & Mechanics Savings Bank, Minneapolis, Minn.  
Hilliard, W. B., Metropolitan Trust Company, New York City.  
Hilton, F. L., assistant cashier Merchants National Bank, New York City.  
Hosmer, R. J., Atlanta, Ga., Southern representative Metropolitan Trust Company, New York City.  
Hoyt, C. E., secretary and treasurer South Norwalk Trust Company, South Norwalk, Conn. Secretary Connecticut Bankers Association.  
Hulbert, E. D., president Merchants Loan & Trust Company, Chicago, Ill.  
Hyde, George W., assistant cashier First National Bank, Boston, Mass. Secretary Massachusetts Bankers Association.  
Jennings, I. G., Metropolitan Trust Company, New York City.  
Kelly, H. J., New York City.  
Kniffin, W. H., vice-president First National Bank, Jamaica, N. Y.  
Latta, James A., vice-president Northwestern National Bank, Minneapolis, Minn.  
Leigh, B. V., cashier Clinton National Bank, Clinton, N. J.  
Le Roy, W. D., president Kansas City Terminal Trust Company, Kansas City, Mo.  
Man, Irene Dorothy, Buffalo, N. Y.  
Miller, J. Z., Jr., governor Federal Reserve Bank, Kansas City, Mo.  
Mooney, Neil, New York City.  
Newell, E. J., vice-president The Peoples Bank, Buffalo, N. Y.  
Nicolle, Henri, Banco de Londres, Mexico City, Mexico.  
Parker, George S., president Iowa Bankers Association, Sioux City, Iowa.  
Parsons, H. H., Detroit, Mich.  
Peace, R. G., assistant secretary Franklin Trust Company, New York City.  
Rhoades, Herbert A., president Dorchester Trust Company, Boston, Mass.  
Rich, John H., chairman of board Federal Reserve Bank, Minneapolis, Minn.  
Rowe, J. J., assistant cashier First National Bank, Cincinnati, Ohio.  
Sadd, W. A., president Chattanooga Savings Bank, Chattanooga, Tenn.  
Sams, O. N., president Merchants National Bank, Hillsboro, Ohio.  
Sams, Mrs. O. N., Hillsboro, Ohio.  
Sams, Miss, Hillsboro, Ohio.  
Sands, Oliver J., president American National Bank, Richmond, Va.  
Sawyer, Charles M., chairman of board Federal Reserve Bank, Kansas City, Mo.  
Sinclair, E. W., president Exchange National Bank, Tulsa, Okla.  
Smith, Theodore G., vice-president International Trust Company, Denver, Colo.  
Teter, Lucius, president Chicago Savings Bank & Trust Company, Chicago, Ill.  
Warts, Alex. B., Harris, Forbes & Company, New York City.  
Weigand, Charles, cashier The First State Bank, Kellogg, Idaho.





## MORTUARY RECORD OF ASSOCIATION MEMBERS

REPORTED DURING DECEMBER, 1916

- Abele, G. A., vice-president and director State Bank of Holton, Holton, Kan.
- Anderson, H. G., president Jackson National Bank, Jackson, Minn.
- Bailey, A. I., vice-president Clinton County National Bank, Wilmington, Ohio.
- Barry, William C., president and director Rochester Trust and Safe Deposit Company; vice-president Lincoln National Bank and director Monroe County Savings Bank, Rochester, N. Y.
- Bassett, Charles F., vice-president East River Savings Institution; director Importers and Traders National Bank, New York, and director Franklin Trust Company, Brooklyn, N. Y.
- Bath, F. P., cashier Redgranite State Bank, Redgranite, Wis.
- Bell, John P., agent Canadian Bank of Commerce, New York, N. Y.
- Boldt, George C., director Lincoln Trust Company, New York, N. Y.
- Brown, Charles, president Farmers State Bank, Vicksburg, Mich.
- Clark, H. T., cashier National Exchange Bank, Steubenville, Ohio.
- Clayton, A. P., vice-president Park Bank, St. Joseph, Mo.
- Cowles, Robert H., director First National Bank, Wallingford, Conn.
- Crane, F. D., president First National Bank, Mt. Sterling, Ill.
- Curtis, W. A., president Norwalk Savings Society and cashier Central National Bank, Norwalk, Conn.
- Danforth, C. R., of C. R. Danforth & Company, Minonk, Ill.
- Doerr, Philip, president and director National Security Bank, Philadelphia, Pa.
- Ellis, A. D., vice-president Monson Savings Bank, Monson, Mass.
- Fleitz, Frederick W., president Anthracite Trust Company, Scranton, Pa.
- Flint, John H., president Andover Savings Bank, Andover, Mass.
- Garrettson, George H., president and director Bank of Commerce, N. A.; director Guardian Savings and Trust Company and Citizens Savings & Trust Company, Cleveland, Ohio.
- Goodman, R. H., cashier Bank of Louisiana, Louisiana, Mo.
- Halle, Jacques S., senio. partner Halle and Stieglitz, New York, N. Y.
- Hudson, Charles P., president Commercial Bank, Paris, Tenn.
- Johnson, Henry C., president Seymour National Bank, Seymour, Ind.
- Jones, Joseph T., president First National Bank, Gulfport, Miss.
- Kennard, S. M., director National Bank of Commerce, St. Louis, Mo.
- Lambie, J. F., director Hampshire County National Bank, Northampton, Mass.
- Lea, Preston, director Union National Bank, Wilmington, Del.
- Moody, Charles A., president and director First National Bank, Biddeford, Me.
- Nye, George H., president and director Cayuga County National Bank, Auburn, N. Y.
- Paterson, J. H., director Walker Brothers, Bankers, Salt Lake City, Utah.
- Rice, C. E., vice-president City National Bank, Fulton, Ky.
- Roesch, G. T., director Bank of Commerce, and Ridge Avenue Bank, Philadelphia, Pa.
- Scranton, W. W., director First National Bank, Scranton, Pa.
- Sherrill, Isaac W., director Fallkill National Bank, Poughkeepsie, N. Y.
- Vey, H. L., cashier Napoleon State Bank, Napoleon, Ohio.
- White, William H., president Bloomfield Trust Company, Bloomfield, N. J.

## HENRY JOHNSON

Henry Johnson, president of the Seymour National Bank, Seymour, Ind., who died recently at the age of forty-eight, served as president of the Indiana Bankers Association in 1907 and was a member of the Executive Council of the American Bankers Association for three years beginning

1910. Mr. Johnson's banking career began with the Jackson County Bank, which he entered as teller and where he worked up to the top of the institution after its nationalization into the Seymour National Bank. He was cashier for nine years and in 1903 was made president.

# LEGAL DEPARTMENT

THOMAS B. PATON, GENERAL COUNSEL

## PENDING BILLS IN THE 64th CONGRESS AFFECTING BANKS

A digest of bills pending in the Sixty-fourth Congress affecting banks has been prepared by the General Counsel for the use of the Committee on Federal Legislation and has been issued in printed form. It embraces (1) bills which have been introduced in the first session, covering the period December 6, 1915 to September 8, 1916 and which have progressed out of committee, showing the various stages of progress, as well as bills still in committees to which referred. (2) bills which have been introduced in the second session, beginning December 4, 1916. At the date of issue of the digest, December 20, none of the bills introduced at the second session had been reported from committee. A reasonable number of these

digests have been printed, additional to those which will be required by the committee, and a copy thereof will be forwarded to any member of the Association who makes request therefor to the General Counsel. The contents of the digest are too extensive to permit of its being printed entire in the pages of the JOURNAL, owing to limitations of space. It is the intention to issue at intervals, new editions of the digest, showing progress or change in the status of any bill digested since the preceding issue, as well as new legislation introduced affecting banks. For this purpose the type of the digest is kept standing so as to permit of additions at minimum cost.

## WORK OF COMMITTEE ON FEDERAL LEGISLATION

The Committee on Federal Legislation are actively engaged in promoting the interests of the members of the Association with respect to Federal legislation. Under their auspices all bills introduced in Congress affecting banks are given consideration and such action, in particular cases, as occasion may warrant.

At the Kansas City convention the subject of country bank reserves was again given consideration and the committee were instructed to discontinue efforts in support of the McFadden-Pomerene bills to amend the Federal Reserve Act by giving country banks the additional option of keeping, after the thirty-six months' period, three-twelfths of the required reserve of twelve per cent. in member banks in reserve or central reserve cities within a radius of 300 miles of the member bank or within the Federal reserve district in which the member bank was located. In lieu thereof the convention instructed the committee to urge an amendment to the Federal Reserve Act under which the reserves required upon demand deposits would be reduced to ten per cent. To effect this result a bill has been introduced by Representative Mc-

Fadden (H. R. 18903, December 14, 1916), which would reduce the reserves of country banks from twelve to ten per cent. of the aggregate amount of demand deposits, one-half to be kept in the vaults and one-half in the Federal reserve bank of the district. The bill specifically provides that it shall not be construed as repealing the amendment of September 7, 1916 which authorizes the Federal Reserve Board to permit member banks to carry in the Federal reserve bank of the district any portion of their reserves required to be kept in their own vaults. A copy of the McFadden bill is published elsewhere in this number. The Committee on Federal Legislation are using all efforts within their power in behalf of the above measure and these efforts should be supplemented by those of the members generally. In this connection it is to be noted that Mr. Glass on December 6 introduced a bill (H. R. 18196) to amend Section 19 of the Federal Reserve Act as to reserves by eliminating all provisions differentiating as to amount of reserves to be held before and after the thirty-six months' period. If this bill is passed the amount of reserves as permanently required after thirty-

six months would be required sixty days after the bill became law. A copy of this bill is also published elsewhere in the *JOURNAL*. The McFadden bill to reduce country bank reserves from twelve to ten per cent. might properly be taken up in connection with the Glass bill and its provisions substituted for the corresponding provisions of that bill.

At the Kansas City convention, the Committee on Federal Legislation were instructed "to endeavor to secure amendments to the Federal Reserve Act for the establishment of a collection system which is fair and equitable to all banks and to the general public." The Association also provided for the appointment by the President of a Committee of Twenty-five, fifteen country and ten reserve city bankers, to "co-operate with the Committee on Federal Legislation of the American Bankers Association in bringing about the enactment of the desired amendment." The Committee on Federal Legislation, in conjunction with the

Committee of Twenty-five, are performing their full duty under the above resolution.

It is not intended in this article, nor would it be appropriate, to go into any detail as to all the subjects of legislation in charge of the Committee on Federal Legislation and as to the procedure in connection therewith. It is sufficient to say that the committee are active in the discharge of numerous duties. The members of the Committee on Federal Legislation are: J. H. Fulton, president Commercial National Bank, New Orleans, La., *Chairman*; James D. Hoge, president Union Savings and Trust Company, Seattle, Wash.; J. W. Perry, president Southwest National Bank of Commerce, Kansas City, Mo.; W. A. Sadd, president Chattanooga Savings Bank, Chattanooga, Tenn.; R. D. Sneath, president Commercial National Bank, Tiffin, Ohio; Waldo Newcomer, president National Exchange Bank, Baltimore, Md. General Counsel of the Association is the secretary of the committee.

## WORK OF COMMITTEE ON STATE LEGISLATION

The Committee on State Legislation are charged by the Constitution of the Association, among other duties, with that of urging the enactment in the respective states of drafts of laws, approved by the Association, through state organizations of bankers. During the year, forty-two state legislatures will hold regular sessions and it is the desire of the committee that bankers in the different states take an active interest in the promotion of such of the recommended laws, not already enacted in their state, as may be more particularly needed. The list of subjects of proposed laws recommended by the Association, is growing. It is as follows:

The Negotiable Instruments Act, now enacted in all but four states;

The Warehouse Receipts Act, already enacted in thirty-three states;

The Bills of Lading Act, enacted in sixteen states;

The Stock Transfer Act, enacted in five states;

The False Statements Act, enacted in twenty-seven states;

The Derogatory Statements Act, enacted in twenty-one states;

The Checks without Funds Act, enacted in thirty-one states;

The Burglary with Explosives Act, enacted in twenty-one states;

The Forged or Raised Checks Act, enacted in twenty-two states;

The Payment of Deposits in Two Names Act, enacted in twenty-nine states;

The Payment of Deposits in Trust Act, enacted in twenty-three states;

The Competency of Bank Notaries Act, enacted in twelve states;

The Deposits of Minors Act, enacted in six states;

The Non-payment of Checks through Error Act, enacted in four states;

The Bank Transactions after Twelve O'Clock Noon on Saturday Act; just drafted.

All of these proposed laws have for their underlying object the greater safety and security of banking and commercial transactions, by simplifying and making more certain and adequate the laws relating to negotiable or quasi-negotiable instruments, the punishment of those who seek to perpetrate frauds upon bankers and merchants, or

making more certain the validity of transactions, concerning which doubt exists under the present law.

The initial steps in this year's campaign have already been taken by correspondence bringing these proposed laws to the attention of bankers' associations in the respective states, with suggestion for action, and this will be supplemented by an enlarged activity of the members of the Committee on State Legislation, which committee, through representatives in each state, will co-operate with the state associations to create a greater interest and enthusiasm in behalf of measures more

particularly needed. The members of the Committee on State Legislation are: H. H. McKee, cashier National Capital Bank, Washington, D. C., *Chairman*; J. A. S. Pollard, cashier Fort Madison Savings Bank, Fort Madison, Iowa; Edgar L. Mattson, vice-president Scandinavian-American National Bank, Minneapolis, Minn.; H. A. Mochlenpah, president Citizens Bank, Clinton, Wis.; William H. Peck, president Cloud County Bank, Concordia, Kan.; George W. Rogers, vice-president Bank of Commerce, Little Rock, Ark.; General Counsel of the Association is the secretary of the committee.

## BANK TRANSACTIONS AFTER NOON ON SATURDAYS

Pursuant to authorization of the Administrative Committee, there has been prepared on behalf of the Committee on State Legislation and forwarded to state bankers' organizations in all states where such a law might be needed or desirable, the following draft of law:

**AN ACT** concerning bank transactions after twelve o'clock noon on Saturdays.

*Be it enacted, etc.*

Nothing in any law of this state shall in any manner whatsoever affect the validity of, or render void or voidable, the payment, certification or acceptance of a check or other negotiable instrument or any other transaction by a bank in this state, because done or performed on any Saturday between twelve o'clock noon and midnight, provided such payment, certification, acceptance, or other transaction would be valid if done or performed before twelve o'clock noon on such Saturday; provided further that nothing herein shall be construed to compel any bank in this state, which by law or custom is entitled to close at twelve o'clock noon on any Saturday, to keep open for the transaction of business or to perform any of the acts or transactions aforesaid, on any Saturday after such hour except at its own option.

NOTE.—The last stated proviso may be omitted in states where there are no half holidays on Saturday by law or custom.

Accompanying the draft the following explanatory statement has been forwarded to the various state associations:

### STATEMENT

The Negotiable Instruments Act contains the following provision (except as changed in a few states):

"Instruments falling due or becoming payable on Saturday are to be presented for payment on the next succeeding business day, except that instruments payable on demand may, at the option of the holder, be presented for payment before twelve o'clock noon on Saturday when that entire day is not a holiday."

In states where no Saturday half-holiday law is in force and the banks keep open the full day, the validity of payment of a check on Saturday afternoon, should the drawer stop payment at the opening of business on the following Monday, has been questioned in view of the above provision and the bank department of one state has officially ruled that such a transaction is unsafe.

There are other states in which Saturday is a legal or a customary half-holiday either throughout the entire state or in certain of the larger cities, in which many banks, notwithstanding the half-holiday, desire to transact business on Saturday afternoon and the question of validity of payment of a check after twelve o'clock is of equal importance.

The object of the above draft of law is to establish, beyond question, the validity of the payment of a check or other banking transaction on Saturday afternoon. The draft has been prepared by General Counsel of the American Bankers Association pursuant to authority of its Administrative Committee, has been approved by the Committee on State Legislation and is recommended by that committee to State Bankers Associations for enactment in all those states where such a law is deemed necessary or desirable.

In Ohio by Act approved May 6, 1913, Section 5978 of the General Code, which provided that "every Saturday afternoon of each year shall be one-half legal holiday for all purposes beginning at twelve o'clock noon and ending at twelve o'clock midnight" was amended by adding the following proviso:



"Nothing, however, in this section or any other, or any decision of any court, shall in any manner affect the validity of or render void or voidable, any check, bill of exchange, order, promissory note, due bill, mortgage or other writing obligatory made, signed, negotiated, transferred, assigned or paid by any person, persons, corporation or bank upon said half-holiday or any other transaction had thereon."

The draft recommended is, we think, preferable in form to the law enacted in Ohio because (1) the Ohio law provides that nothing in any decision of any court shall affect the validity of certain described transactions and while this might be construed as referring to prior decisions, it is also susceptible of interpretation as attempting to nullify in advance a judicial decision. The constitutionality of the Act is, therefore, rendered somewhat doubtful. (2) Furthermore, irrespective of constitutionality, in the case of banks not open for business on Saturday half-holidays, it is questionable just how far, if at all, the Ohio Act repeals the half-holiday law as to the validity of transactions, especially with

reference to the validity of demands or tenders of payment made upon or to a closed bank on Saturday afternoon. The Ohio Act, after providing that Saturday afternoon shall be a half-holiday for all purposes, then declares valid certain described transactions and any other transaction had thereon.

It has been thought preferable to draft a form of law which, instead of expressly declaring that all transactions on Saturday afternoon are valid, makes certain described transactions valid provided they would be valid if done before twelve o'clock. This virtually makes Saturday afternoon a continuation of the forenoon for those banks in half-holiday states which voluntarily keep open, without bringing into question the right of other banks to close their doors at twelve o'clock for all purposes. The proposed draft of law is equally applicable to states where there are no half-holidays by law or custom but where the payment of checks on Saturday afternoon, in view of the Negotiable Instruments Act, is of doubtful validity.

## OPINIONS OF THE GENERAL COUNSEL

### BANK'S RIGHT OF SET-OFF

Bank can set off overdraft by depositor on individual account against deposit to credit of his accounts marked "special" or "agent," provided such accounts are owned in his own right and thus designated merely for convenience—But if accounts so marked are held as agent or trustee for another, they cannot (according to the weight of authority) be applied upon depositor's individual indebtedness.

From New York—A has an account at a bank and, thereafter opens another account designated as a "special" account and subsequently he opens also an account as "agent," but he does not in either case inform the bank as to the purpose of the "special" or "agent" account. He became indebted to his bank for an amount, which at his death was in excess of his balance carried in his ordinary account. We would like to know as to whether the bank would have the right to charge the "special" or "agent" account with any part of the liability as before referred to. We would very much appreciate your opinion or other information in reference to similar cases that may have come to your notice and have probably been decided by the courts heretofore.

The right of a bank to set off a matured indebtedness of its depositor against his account rests upon the principle that as the debts are mutual, one may be set off against the other and the balance constitutes the debt. *Jordan v. National Shoe & Leather Bank*, 74 N. Y. 467; *Falkland v. St. Nicholas Bank*, 84 N. Y. 145. The death of

the depositor does not deprive the bank of the right to apply his deposit in payment of his indebtedness. *Ford v. Thornton*, 30 Va. 695.

Assuming in the present case the three accounts carried by the depositor, although one of them is marked "special" and another "agent" account, all consist of funds to the credit of the depositor in his own right and the designation "special" and "agent" are simply for the purpose of convenience, the bank would have the right to apply the balance of one account upon an indebtedness created by overdraft in the other. See for example *Hiller v. Bank of Columbia*, 75 S. E. (S. C.) 789, in which the court said:

"When a depositor having two accounts in his own right, kept separate merely for his own convenience, draws on one of them beyond the amount to his credit, without any arrangement with the bank that he should do so, the bank is justified in the inference that he intends his check to be protected by the other account. Certainly it would be most unreasonable that the bank should be required, under such conditions, to pay to the depositor the credit on one account without deducting the debit on the other." In the above case, the plaintiff carried one account in her own name individually and another in her name as "administratrix," although she was not administratrix and all the money de-

posited belonged to her individually. The court upheld the right of the bank to charge to the individual account an overdraft drawn on the administratrix's account.

But if the accounts marked "special" or "agent" do not belong to the depositor in his own right but are held by the depositor as trustee or agent for another, there would be no right to apply the deposits in either of these accounts upon an overdraft of the individual account (*Hiller v. Bank of Columbia*, supra).

You state that the bank was not informed by the depositor as to the purpose of the "special" or "agent" account. But I think the term "agent" would put the bank on inquiry and deprive it of the right of set off where the beneficial interest in the account was in another. True it has been held in some cases that as the word "agent" and the like appended to a depositor's name does not identify his account as belonging to any particular person or fund, his deposit may be regarded as his own and may be applied to his indebtedness. (See, for example, *Laubach v. Leivert*, 87 Pa. 55; *Comfort v. Patterson*, 2 Lea [Tenn.] 670.) But the majority of decisions are to the effect that such words imply that the deposit does not belong to the depositor and where this is the fact, the bank is put on notice and is not justified in applying it to his individual debt. See, for example, *National Bank v. Insurance Co.*, 104 U. S. 54; *Burnett v. First National Bank*, 38 Mich. 630. In New York, it is the established law that the check of John Doe, agent, or John Doe, trustee, paid to a personal creditor of Doe carries notice that trust funds are being applied to private uses and, where the payment is unauthorized, the creditor must refund. *Gerard v. McCormick*, 130 N. Y. 261; *Squire v. Ordemann*, 194 N. Y. 394. The same rule would apply to a bank which carried an account for John Doe, trustee or agent, and which sought to apply the deposit upon a personal indebtedness of Doe. The form of the account would put the bank upon inquiry and in the event the money did not belong to Doe individually but the account was one in which another had a beneficial interest, the bank could not apply the deposit upon his individual indebtedness.

I think the same rule would apply to an account marked "John Doe, special." There is a decision by the Court of Civil Appeals of Texas

(*Prosser v. First Nat. Bank*, 134 S. W. 781) in which a deposit made in an account styled "Henry I. Moore, special" was held to convey no notice to the bank of the purpose and use to which the money was to be applied. The depositor in this case having overdrawn his general account, the amount in the special account was transferred to the general account by agreement between him and the bank. It was thereafter checked out by the depositor for his own purposes. By agreement between a third person and the depositor, the money in the special account was held in trust to be applied to the purchase of certain land and the transfer of this money to the general account was a breach of trust. The bank, however, had no knowledge of the facts and the court held that the style of the deposit was insufficient to put the bank on inquiry and that its acts in transferring the account marked "special" to the general account, to make good an overdraft and in permitting the depositor to thereafter check out the amount to the credit of the general account, did not make the bank liable to the beneficiary of the trust agreement. This decision was based upon a previous decision of the Supreme Court of Texas in *Silsbee State Bank v. French Market Grocery Co.*, 132 S. W. 465, in which it was held that a bank receiving a deposit in the name of "Ray Miller, agent" was entitled to treat the depositor as owner and pay his checks properly drawn without concerning itself with any question as to the ultimate ownership or as to the application made or to be made of the money drawn out. The Court of Civil Appeals said that this ruling was decisive of the question under consideration "for if a deposit in a bank to 'Ray Miller, agent' bound and entitled the bank to treat the depositor as its owner, we can perceive no reason why a deposit to the credit of 'Henry I. Moore, special' should not be regarded in the same manner."

The New York courts have not specifically passed upon the case of a deposit marked "John Doe, special" but have held that a check signed "John Doe, agent" carries notice to a creditor receiving same in payment of a debt and puts him on inquiry. In view of this I think that, notwithstanding the Texas decisions, the New York courts would be likely to hold, in a case where a bank sought to apply the deposit upon an individual debt of the depositor that, equally as in the case

of an account carried as "agent" the bank would be put on notice and denied the right to make the set-off where the credit was not owned by the depositor in his individual right, but was one in which another had a beneficial interest.

To sum up, therefore, if the accounts styled "special" and styled "agent" belong to the depositor in his individual right, being carried in this way merely for convenience, your bank would have the right to apply a balance in either of such accounts upon an indebtedness created by overdraft of the depositor upon the account carried in his individual name; but if the fact is otherwise and these accounts marked "agent" and "special" represent funds held by the depositor in any fiduciary capacity, the bank would be charged with notice and I think its right to apply the balance upon an indebtedness of the depositor caused by overdraft of his individual account, would be denied.

#### FORGED INDORSEMENT OF CASHIER'S CHECK

Bank issuing cashier's check procured by fraud can recover money paid thereon to holder under forged indorsement—Check made payable to name supplied by forger, not payable to bearer under Negotiable Instruments Act as drawer without knowledge that payee fictitious.

From Idaho—A few days ago a stranger called at our bank and presented what apparently was a certified check for \$75.50 on a member bank in a nearby town. We asked him for identification. He left the bank and came back with what we supposed was the indorsement of one of our customers. This later proved to be forged, as well as the certified check. When we cashed the check the party paid \$150 additional in currency, and took our cashier's check for \$225.50 and had the cashier's check made out to a different party. He took the cashier's check to a nearby town and had it cashed. When he called at the bank that cashed our check for him, they requested him to get identification and he used the same method with them that he did with us by forging one of their customer's indorsements. What recourse, if any, have we on the bank that cashed our cashier's check? Are we in a position to request them to make a refund of the amount?

As I understand the facts your bank, in exchange for \$150 currency and a forged check for \$75.50, has issued to the forger its cashier's check, payable to a different person, for \$225.50, which the forger, indorsing the payee's name and forging the indorsement of another person as identifier,

has succeeded in negotiating to a bank in a neighboring town, to which you have paid the full amount.

The question is whether you have a right of recovery of the amount from the neighboring bank. As to \$150 of the amount, for which you received full value from the forger, there would be no right of recovery. As to the remaining \$75.50 I think you would have right of recovery on the ground that the bank which cashed the check took it under forged indorsement and acquired no title. In such case it would be compelled to refund in the absence of negligence precluding your bank from setting up the forgery. See, for example, *Second Nat. Bank v. Guarantee Trust & Safe Dep. Co.*, 56 Atl. (Pa.) 72, where the payee's indorsement of a check, obtained by fraud, was forged and the check was cashed by a trust company which collected it from the drawee. It was held that the trust company was liable to the drawee. See, also, *Jordan Marsh Co. v. National Shawmut Bank*, 87 N. E. (Mass.) 740, in which it was held that the negligence of the drawer in permitting a fraud to be practiced upon him by which he issued checks which were paid upon forged indorsements, did not preclude him from recovering the money, as such negligence was not the proximate cause of loss. In your case, your bank took the precaution, before issuing its cashier's check, to require identification and was deceived by forgery of a customer's identifying signature. It would not be a case, therefore, where the bank would be precluded from recovery by reason of negligence.

Nor do I think the cashing bank could successfully claim that it is entitled to retain the money because of a contention that the check should be regarded as payable to bearer. The Negotiable Instruments Act provides that "the instrument is payable to bearer \* \* \* when it is payable to the order of a fictitious or non-existing person and such fact was known to the person making it so payable." Under this statute it was held in *Trust Co. of America v. Hamilton Bank*, 127 App. Div. (N. Y.) 515, where checks were forged payable to persons entitled to share in an estate but the forger knew that the payees would never have any interest in the instruments and that they never would be delivered to or indorsed by such persons, that such checks were payable to bearer within the statute and where the

checks were paid to a bona fide holder upon forged indorsements of the payees, the money could not be recovered back. Again in *Snyder v. Corn Exchange Bank*, 70 Atl. (Pa.) 876, the agent of a depositor, acting under power of attorney, drew checks payable to one N who had no interest in the checks and never in fact received them. He forged N's indorsement and the checks were paid. It was held that N, though existing, was a fictitious person to the knowledge of the drawer and the check therefore payable to bearer within the meaning of the act and that the drawer could not recover the money.

In *Hartford v. Greenwich Bank*, 142 N. Y. Supp. 387, a tea company, because of fraud practiced upon it issued its checks payable to order of one James Wilson. It had been cheated into the belief that it had purchased goods from and owed money to Wilson. The court in this case held the money paid on indorsement of Wilson's name was non-recoverable by the drawer; that the case was not one of a check drawn to a fictitious or non-existing person; there was an actual person calling himself Wilson although that was not his real name, and it was that person to whom the tea company intended its checks should be paid. The checks were paid to the very person to whom the tea company intended they should be paid, viz., the person from whom it believed it had purchased goods although it was deceived in this respect.

But your case is different from any of the above. Your bank issued its cashier's check, inserting the name of a payee which was supplied by the forger to whom the check was delivered. Doubtless this payee was a fictitious or non-existing person but such fact was not within your knowledge. In *Boles v. Harding*, 87 N. E. (Mass.) 481, a check was fraudulently procured from the drawers payable to an alleged association of freight handlers. The payee was fictitious but the court said: "The bearer as such cannot recover unless it is shown that the maker knew of the fiction. If the element of knowledge is wanting, there is no estoppel, although the fact that the payee is fictitious may have been fully established. The issue is one of fact upon proof of which, by force of the statute, the instrument becomes payable to bearer." See, also, *Jordan Marsh Co. v. National Shawmut Bank*, supra.

I think where a bank is fraudulently induced to issue its cashier's check payable to a name which is supplied by the purchaser, it does not intend to make same payable to the person who delivers the check so that his indorsement of the payee's name would be by the precise person intended and not a forgery, nor is it essentially a bearer check within the meaning of the Negotiable Instruments Act for, although the payee may be fictitious or non-existing, such fact is not known to the drawer; but where the person wrongfully receiving such check negotiates same by writing the payee's indorsement thereon, the bank which cashes the instrument acquires same under forged indorsement, without title, and will be liable to the drawer for the money paid thereon. The extent of recovery in the present case, however, would be the \$75.50, which was the extent of the fraudulent consideration for the check; for the remaining \$150 the issuing bank received currency and there would be no equity in permitting a recovery of this amount.

#### SUFFICIENCY OF NOTICE OF DISHONOR

Mere inaccuracy in statement of amount of dishonored instrument does not invalidate notice where indorser not misled thereby—Reasonable time for presentment and notice of dishonor to hold indorser and liability of collecting bank and of notary.

From Colorado—On or about October 26 we negotiated for some of our depositors certain checks drawn on a bank in Ohio. On November 11 we received a notice of protest of an item for \$110, but on looking up the check we found it to be for \$111. Our depositor refuses to reimburse us, on the ground that the notice which he received covering a \$110 check did not refer to the item indorsed by him, and upon the return of the \$111 item a day later he would not take it up. On November 14 another one of these items was returned protested, no previous notice having been received by us that the item had been dishonored. Under these circumstances can we not look to the notary for reimbursement, or can we demand it from our indorsers?

In the case of the check for \$111 on a bank in Ohio indorsed to your bank on October 26, notice of protest being received by you on November 11 and your indorser being notified by your bank, the fact that the notice incorrectly described the amount as \$110 would not be sufficient to relieve the indorser and the only question so far



as he is concerned, would be whether there was due diligence in making presentment and giving notice of dishonor to hold him liable.

The Negotiable Instruments Act provides that "a misdescription of the instrument does not vitiate the notice unless the party to whom the notice is given is in fact misled thereby" and "the notice \* \* \* may be given in any terms which sufficiently identify the instrument and indicate that it has been dishonored by nonacceptance or nonpayment." See N. I. Act Secs. 95-96; Colo. Secs. 5, 145-6.

It has been held in several cases under the law merchant that a mere inaccuracy as to the amount does not invalidate the notice where the indorser is not misled thereby. See, for example, *Snow v. Perkins*, 2 Mich. 238 where the instrument was for \$200 and the notice described it as one for \$175; *Rowan v. Odenheimer*, 13 Miss. 44 where the instrument was for \$641.40 and the notice described it as one for \$642.40; *Downer v. Remer*, 23 Wend. (N. Y.) 670 where the instrument was for \$599.52 and the notice described it as one for \$999.52 and *Bank of Alexandria v. Swann*, 9 Pet. (U. S.) 33 where the note was for \$1,400 and the notice described it as one for \$1,457. In these cases, the notices were held not to be misleading and, therefore, not invalid.

I gather from your statement that the indorser was not misled as to the identity of the check described in the notice by the mere fact that the amount was stated as \$110 instead of \$111 and simply seeks to rely upon the technicality that the notice was not exactly correct in this particular. This, as shown, will not relieve him where the notice is sufficient to "identify the instrument" and the indorser is not "in fact misled thereby."

The further question remains whether, where a check on a bank in Ohio is indorsed in Colorado on October 26 and notice of protest is not received until November 11, and in case of another check not until November 14, the second check being indorsed at the same time as the first check, the rules of diligence with regard to presentment and notice have been sufficiently complied with to preserve the indorser's liability. The Negotiable Instruments Act requires that presentment for

payment of demand paper must be made within a reasonable time after its issue, or in the case of a bill of exchange, within a reasonable time after the last negotiation thereof. Furthermore, as to notice of dishonor "where the person giving and the person to receive notice reside in different places the notice \* \* \* if sent by mail must be deposited in the post office in time to go by mail the day following the day of dishonor, or if there be no mail at a convenient hour on that day, by the next mail thereafter" and "where a party receives notice of dishonor, he has, after the receipt of such notice, the same time for giving notice to antecedent parties that the holder has after the dishonor."

Without a precise statement of facts as to when these checks were mailed by your bank, the route through which they were forwarded, the hands through which they passed and as to the day of dishonor and protest, it would serve no useful purpose to definitely discuss whether or not the indorser in this particular case is discharged, but assuming your bank mailed these checks in Colorado upon the day of their receipt or soon after, it would seem that they should have been presented and protested in Ohio not later than the 30th or 31st of October and in such case the notice of dishonor would have been required to be mailed on the 1st or 2d of November and, not reaching you in one case until the 11th and in the other case until the 14th of November, this would lead to the inference that notice was not mailed in due season and that the indorser was discharged. This tentative conclusion is, of course, based on an assumption which may be contrary to the precise facts.

Assuming your indorser discharged by the delay in giving notice of dishonor, then, of course, you could not look to him for the amount but your bank would have recourse upon the collecting bank responsible for the delay. If the notary was at fault, the bank employing the notary would be liable therefor, (*Davey v. Jones*, 13 Vroom [N. J.] 28) and where it is the duty of the notary to give notice of dishonor and he is negligent in the performance of this duty, he personally and his official bond might also be held liable. *Williams v. Parks*, 63 Neb. 747.

checks were paid to a bona fide holder upon forged indorsements of the payees, the money could not be recovered back. Again in *Snyder v. Corn Exchange Bank*, 70 Atl. (Pa.) 876, the agent of a depositor, acting under power of attorney, drew checks payable to one N who had no interest in the checks and never in fact received them. He forged N's indorsement and the checks were paid. It was held that N, though existing, was a fictitious person to the knowledge of the drawer and the check therefore payable to bearer within the meaning of the act and that the drawer could not recover the money.

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#### SUFFICIENCY OF NOTICE OF DISHONOR

Mere inaccuracy in statement of amount of dishonored instrument does not invalidate notice where indorser not misled thereby—Reasonable time for presentment and notice of dishonor to hold indorser and liability of collecting bank and of notary.

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In the case of the check for \$111 on a bank in Ohio indorsed to your bank on October 26, notice of protest being received by you on November 11 and your indorser being notified by your bank, the fact that the notice incorrectly described the amount as \$110 would not be sufficient to relieve the indorser and the only question so far

as he is concerned, would be whether there was due diligence in making presentment and giving notice of dishonor to hold him liable.

The Negotiable Instruments Act provides that "a misdescription of the instrument does not vitiate the notice unless the party to whom the notice is given is in fact misled thereby" and "the notice \* \* \* may be given in any terms which sufficiently identify the instrument and indicate that it has been dishonored by nonacceptance or nonpayment." See N. I. Act Secs. 95-96; Colo. Secs. 5, 145-6.

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The further question remains whether, where a check on a bank in Ohio is indorsed in Colorado on October 26 and notice of protest is not received until November 11, and in case of another check not until November 14, the second check being indorsed at the same time as the first check, the rules of diligence with regard to presentment and notice have been sufficiently complied with to preserve the indorser's liability. The Negotiable Instruments Act requires that presentment for

payment of demand paper must be made within a reasonable time after its issue, or in the case of a bill of exchange, within a reasonable time after the last negotiation thereof. Furthermore, as to notice of dishonor "where the person giving and the person to receive notice reside in different places the notice \* \* \* if sent by mail must be deposited in the post office in time to go by mail the day following the day of dishonor, or if there be no mail at a convenient hour on that day, by the next mail thereafter" and "where a party receives notice of dishonor, he has, after the receipt of such notice, the same time for giving notice to antecedent parties that the holder has after the dishonor."

Without a precise statement of facts as to when these checks were mailed by your bank, the route through which they were forwarded, the hands through which they passed and as to the day of dishonor and protest, it would serve no useful purpose to definitely discuss whether or not the indorser in this particular case is discharged, but assuming your bank mailed these checks in Colorado upon the day of their receipt or soon after, it would seem that they should have been presented and protested in Ohio not later than the 30th or 31st of October and in such case the notice of dishonor would have been required to be mailed on the 1st or 2d of November and, not reaching you in one case until the 11th and in the other case until the 14th of November, this would lead to the inference that notice was not mailed in due season and that the indorser was discharged. This tentative conclusion is, of course, based on an assumption which may be contrary to the precise facts.

Assuming your indorser discharged by the delay in giving notice of dishonor, then, of course, you could not look to him for the amount but your bank would have recourse upon the collecting bank responsible for the delay. If the notary was at fault, the bank employing the notary would be liable therefor, (*Davey v. Jones*, 13 Vroom [N. J.] 28) and where it is the duty of the notary to give notice of dishonor and he is negligent in the performance of this duty, he personally and his official bond might also be held liable. *Williams v. Parks*, 63 Neb. 747.

## CERTIFICATION OF CHECK FOR STRANGER

Where bank certifies check, payable to order of a specified person, for a holder unknown to it who, being without title, wrongfully negotiates check under forged indorsement to an innocent person, certifying bank is not responsible to innocent purchaser, because (1) certification does not guarantee genuineness of payee's indorsement and (2) it is not negligent to certify a check for an unidentified person.

From New Jersey—We would appreciate your advice relative to our responsibility for certifying checks for unidentified persons. What I mean by this is, should the unidentified person not be the rightful owner and on the strength of our certification get an innocent third party to cash the check would we be held doubly responsible, and if so, to whom?

A bank is under no legal obligation to certify a check in any event; its only obligation runs to the drawer to pay his check when duly presented but a bank has the right to certify a check upon request of the holder and, under the Negotiable Instruments Act, "where the holder of a check procures it to be accepted or certified, the drawer and all indorsers are discharged from liability thereon."

Your question relates to the responsibility of the bank where it certifies a check for a holder, unknown to it, and it afterwards turns out that the holder was not entitled to the check and has defrauded an innocent person by negotiating the instrument to him. I assume the form of check you have in mind is one payable to the order of a specified person and the holder is not the payee. I do not understand that the bank would be responsible in such case to an innocent person to whom the wrongful holder has negotiated the check. The bank which certifies a check binds itself that there are sufficient funds to pay it and guarantees the genuineness of the drawer's signature; but does not warrant the genuineness of the body of the check nor does it guarantee the genuineness of the signature of the payee or the other indorsers. See for example, on this latter point, *First Nat. Bank v. Northwestern Nat. Bank*, 152 Ill. 296.

Nor has it ever been held a neglect of duty to the general public for a bank to certify a check for a holder, unknown to it. A check payable to order and bearing purported indorsement of the payee may be presented by a person who cannot

identify himself. The bank, for that reason, is unwilling to pay the check, but it may be willing to certify so as to save the fund for the holder against possible subsequent withdrawal or stoppage of payment, before his identity is established or before the holder can deposit the check in his own bank where he is known and to whom it will be paid. Or a check may be presented by a stranger improperly indorsed or lacking the payee's indorsement and the bank may be willing to certify, but not to pay, in order to save the fund for the holder until correction can be obtained. If in any such case the holder is in wrongful possession of the check and negotiates the instrument to an innocent holder under a forged indorsement, I do not think the fact that the holder of the check for whom certification was made was a stranger, would make the certification a negligent act so as to render the bank responsible on that ground to an innocent purchaser who has been defrauded. At all events, it has never yet been so held. In other words, there would be no double liability of the bank upon such a certified check.

## STOP PAYMENT OF CHECK

An order to stop payment does not expire after a certain time limit, but holds good indefinitely.

From New Jersey—Will you kindly inform me as to the length of time we are responsible on notice of stop payment of checks, or if we are responsible at all under the New Jersey law?

A customer of a bank has a right to countermand payment of his check before it has been paid or accepted by instructing the bank not to pay and if the bank makes payment in disregard of the stop order, it does so at its peril. There is nothing in the New Jersey law which would relieve a bank from this responsibility. Nor is there any length of time, after which the bank is relieved from responsibility. An order to stop payment would hold good indefinitely unless it was revoked. Banks sometimes couple with printed forms of stop payment orders an agreement of the depositor not to hold the bank liable if, through inadvertence, it pays the check, but such agreements are construed by the courts most strictly against the bank.



## COLLATERAL NOTES GIVEN FOR MACHINERY

Where bank takes as security for a loan, notes payable to the borrower which recite they are given for a specified piece of machinery, such recital does not affect the negotiability of the notes, which are enforceable free from equities, and the bank is entitled to the proceeds as against the claim of the owner of the machinery who has entrusted same for sale to the payee of the notes under contract of record by which title is retained until the machinery is paid for.

From Minnesota—A hardware firm deposits with us collateral notes to secure a loan. We notice that some of the notes read, this note was given for plow or wagon or some other piece of machinery. The firm has gone into the hands of a trustee and it now develops that they had farm machinery which they were selling on contract whereby, as I understand it, the machinery belonged to the wholesale house until it was paid for. The wholesale house now makes a demand on us for a portion of these notes. The question is, can we hold the notes or the money collected therefrom to pay the amount borrowed by the firm from us or can this contract, which is of record, hold the notes?

I understand the situation covered by your inquiry is as follows: A wholesale house delivers to a retail hardware firm machinery to be sold by the latter under a contract between the two, according to the terms of which title to the machinery is to remain in the wholesale house until paid for, which contract is of record. The hardware firm sells different articles of this machinery and takes notes of the various purchasers, presumably in negotiable form which, in addition to the promise to pay, simply recite that the note is given for a specified piece of machinery. These notes are pledged as collateral with your bank, which had no knowledge of the contract between wholesale house and retail firm. Upon failure of the hardware firm, the question is whether the bank can enforce the collateral free from equities and retain the full proceeds of the notes up to the amount of its loan or whether the bank is responsible to the wholesale house, as trustee, for such proceeds.

Assuming that the collateral notes are negotiable in form and are not made subject to the contract between wholesale house and retail firm but simply recite that they are given for a specified piece of machinery, such as a plow or a wagon, it would seem that the bank is protected in its security and would have the right to enforce the notes and

retain sufficient of their proceeds to satisfy the loan. The fact that the notes, or some of them, provide that they are given for a plow or a wagon or other piece of machinery does not, without more, affect their negotiability. The Negotiable Instruments Act provides that negotiability is not affected by "a statement of the transaction which gives rise to the instrument." It has been repeatedly held in the case of notes which recite that they are given in payment of the purchase price of described goods, that negotiability is not thereby affected. *Chicago-Railway-Equipment Co. v. Merchants Nat. Bank*, 136 U. S. 268, in which the note recited that it was given in payment of certain cars, the title to which should remain in the payee until the note was paid. To the same effect, see *Mott v. Havana Nat. Bank*, 22 Hun, 354; *Third Nat. Bank v. Bowman*, 50 App. Div. (N. Y.) 66.

Nor do I think the fact that the hardware firm held the machinery under a contract, which was placed on record, whereby the title should remain in the wholesale house until paid for, would affect the rights of the bank as holder in due course of the collateral notes. Assuming such contract was one of conditional sale, the record of which would carry notice to the purchaser of the machinery that the title thereto was in the wholesale house, such contract would not affect the right of the bank as holder in due course of a negotiable instrument to retain the full proceeds thereof to the extent of its lien for the amount of the loan.

If the recitals in the notes made their payment depend upon the terms of the contract, which was referred to therein, then the notes would be non-negotiable and the bank would take no greater rights than the payee. *Pope v. Lumber Co.*, 162 N. C. 206, 78 S. E. 65. In this case the recital of the note was as follows: "This note is for part of the purchase price of timber conveyed to the undersigned by the said company by deed of even date herewith; is secured by retention of the title to said timber by said company and subject to the provisions of said deed." The court said: "This note contains the following condition: 'and subject to the provisions of said deed.' The note being therefore conditional in form and dependent in its provisions upon an outside paper referred to therein was non-negotiable." If the notes in the present case contain any similar provision whereby in addi-

tion to the promise to pay the amount, stated to be for a specified piece of machinery, they also provide that they are subject to the provisions of the contract of sale between the wholesale house and the retail firm, they would be non-negotiable; but there is nothing in the statement of the case submitted to indicate that they are of this character. According to such statement the notes simply provide that they are given for a plow or a wagon or some other piece of machinery. Such provision, as above shown, would not destroy the negotiability of the notes, assuming they are in otherwise negotiable form and the bank, holding such notes as collateral, could enforce payment by the makers free from equities and could retain the proceeds to apply on its loan free from the claim of the wholesale house that the notes were given for machinery which belonged to it.

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#### PAYMENT OF RAISED CHECK

Payor bank has right of recovery of excess paid upon raised check from owner who has received payment.

From Iowa—A check given for nine dollars and one for six dollars were raised to ninety dollars and sixty dollars. The signature was genuine and the bank the checks were drawn on paid the checks, and their customer, whose checks had been raised, notified them three days after the paying of the checks, that these checks were raised as indicated above. The point is, the signature being genuine, and the bank paying the checks on the signature, would they have the right to return these checks back through the channel in which they came, the checks themselves being raised as above. The checks were carefully drawn and written with an indelible pencil and were raised with an indelible pencil.

The general rule is that money paid under a mistake of fact may be recovered back. While this rule is not generally applicable in a case where the drawer's signature has been forged so as to permit recovery by the drawee, because in such case the drawee is held bound to knowledge of the signature and the law does not permit him to say he has mistaken it, it does apply in the case of money paid on a raised or altered check. In such case there is no greater obligation upon the bank than upon the holder to know the correct amount. Where, therefore, money is paid by the drawee upon a raised check, the excess may be recovered from the person to whom payment

was made, as having been paid without consideration, in the absence of negligence of the payor precluding such recovery. *Espy v. Bank of Cincinnati*, 18 Wall. 614; *National Park Bank v. Ninth Nat. Bank*, 46 N. Y. 77.

In the case stated by you, therefore, your bank would have the right to charge the original amount to your customer's account and look to the bank receiving payment for the excess, provided that bank was the real or apparent owner of the checks. If, however, the form of indorsement indicates that the bank from which you received the checks was collecting agent for a principal further back and such bank has turned over the proceeds to its principal, before notice of the forgery, then in the absence of its guarantee of the genuineness of the amount it would not be liable to refund and the recourse of your bank to recover the excess so paid, would be upon the principal. See upon this point, *Nat. Park Bank v. Seaboard Bank*, 114 N. Y. 28.

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#### FORGERY OF PAYEE'S INDORSEMENT ON CERTIFICATE OF DEPOSIT

Where bank keeps file of signatures of payees to whom certificates of deposit issued it is bound to know payee's indorsement upon such certificates and cannot recover money paid on forgery thereof—But this rule limited to cases where signature kept on file.

From Ohio—We would like to have your opinion as to the legal standing of an indorsement on a bank's negotiable certificate of deposit, which we understand is simply the bank's negotiable receipt given for money on deposit. Upon issuing a certificate of deposit we take the signature of the depositor for the purpose of having some means of identifying him. Some time ago one of our certificates was presented through the clearing house, indorsed by the payee, but we had no record of the signature. The presenting bank refused to guarantee the indorsement and we paid this certificate as it was only a small amount. Now, then, does this indorsement operate the same as an indorsement on a check, which we understand is as follows: A bank cannot charge a check to a customer's account with a forged indorsement, but can recover through the indorser of this check. Can we upon discovering this indorsement to be forged recover from the presenting bank, or are we responsible for paying such a certificate on the grounds that we should know the signature, the same as we should know the signature to any check drawn upon the bank. In other words, does the indorsement on a

certificate operate as the signature upon the face of a check or does it operate simply as an indorsement?

A few decisions which have passed upon the question are to the effect that a bank issuing a certificate of deposit is bound to know the indorsement of the depositor as payee similarly as in case of the signature of its depositor to an ordinary check and cannot recover money paid to a bona fide holder on forgery thereof. But an examination of the reasons underlying this rule indicate that it is based on and limited to cases where a bank keeps a file of signatures of depositors to whom certificates are issued and that where such file of signatures is not kept, the rule would not apply and money paid upon a forged indorsement of the depositor would be recoverable, the same as money paid on forgery of the payee's indorsement to a cashier's check or to a negotiable note issued by any maker. In the *JOURNAL* for January, 1914, at page 501, I published quite an extended opinion on this subject citing all the authorities that could be found and reaching the above conclusion.

### RIGHT OF PURCHASER OF STOPPED BANKER'S DRAFT

Holder in due course protected although bank issuing draft stops payment at request of original purchaser.

From Arizona—A New York draft for \$50 was presented to this bank by A and the same was cashed by us, then protested by the New York bank, reason given "payment stopped." We learn the reason for stopping payment was that B purchased certain chattels from A and paid him for same with this New York draft; later B claims the purchased goods were mortgaged and requested the bank from whom he purchased the draft in favor of A, to stop payment on said draft. Before the protested draft was returned to us, A left the city. The bank issuing the New York draft now refuses to release the "stop payment" and claims no recourse on them. The question at issue is, can a bank issuing a draft stop payment on same where the validity of a purchase made by this draft does not concern the bank. We hold that the issuing bank has no authority to assume the responsibility of stopping payment on a draft where the business connected with this draft is between two outside participants and the bank can in no way guarantee the validity of the purchase, not being aware to what use the purchaser will put the draft.

Under the Negotiable Instruments Act "a check of itself does not operate as an assignment of any part of the funds to the credit of the drawer with the bank, and the bank is not liable to the

holder unless and until it accepts or certifies the check." Under this Act, it is within the power of the drawer of a check or bank draft to countermand payment and it becomes the duty of the drawee bank to obey such stop order, irrespective of the rights of any holder to whom the check has been negotiated. But by stopping payment, the drawer cannot defeat the right of an innocent purchaser of the check to recover payment from the parties liable thereon. Your bank, under the Negotiable Instruments Act, is a holder in due course and can enforce payment of the check from the drawer, free from any defense which the original purchaser may have against the person to whom he delivered it and who indorsed it to you for full value. It is presumably a case where the original purchaser was defrauded and the issuing bank endeavored to help him by holding up the payment. But the fraudulent holder has negotiated the draft to your bank which has acquired the same for full value without knowledge of the fraud and you are entitled as holder in due course to recover the full amount from the drawer. The claim of the issuing bank that you have no recourse upon them is untenable.

### DEDUCTION OF INTEREST IN ADVANCE

In Oklahoma, the maximum rate of interest, not exceeding one year's amount, may be deducted in advance.

From Oklahoma—The maximum amount of interest that can be charged under the law in Oklahoma is ten per cent. per annum. Please advise if the bank would be charging usurious interest under the law if they made a customer a loan of \$100 for 12 months and deducted \$10 interest, thereby giving the customer \$90?

The transaction referred to would not be usurious under the Oklahoma law. Section 1004 of the Revised Laws of Oklahoma provides six per cent. as the legal rate of interest and ten per cent. as the maximum contract rate. Section 1007 provides: "The interest which would become due at the end of a term for which a loan is made, not exceeding one year's interest in all, may be deducted from the loan in advance if the parties so agree." Under this it has been held that the interest may be taken in advance, not exceeding one year's amount. *Covington v. Fisher*, 97 Pac. (Okla.) 615.

# TRUST COMPANY SECTION

## OFFICERS OF THE TRUST COMPANY SECTION

**PRESIDENT**  
UZAL H. McCARTER, President Fidelity Trust Company,  
Newark, N. J.

**CHAIRMAN EXECUTIVE COMMITTEE**  
JOHN W. PLATTEN, Pres. United States Mortgage & Trust Co.,  
New York.

**FIRST VICE-PRESIDENT**  
FRANK W. BLAIR, Pres. Union Trust Co., Detroit, Mich.

**SECRETARY**  
LEROY A. MERSHON, Five Nassau Street, New York City.

## MEETING OF EXECUTIVE COMMITTEE

An important meeting of the Executive Committee of this Section was held in New York City on December 5, 1916. Practically the entire membership was in attendance, and it is believed that the results of the Committee's deliberations will

tend to promote the common interests of all members. Sub-committees, of which the membership was advised in the Chairman's special communication of December 27, were created, and the result of their labors should also be of much interest.

## WORK OF SPECIAL LEGISLATIVE COMMITTEE

Under date of December 20 Uzal H. McCarter, as chairman of the Section's Special Committee on Legislation, addressed a letter to all trust companies in the United States calling attention

to the results of the labors of that committee.

The value of the work already accomplished is well recognized and should receive general support.

## THE ANNUAL BANQUET

The following letter in relation to the forthcoming banquet has been sent to all trust companies in the United States:

The Seventh Annual Banquet of the Trust Companies of the United States, members of the Trust Company Section of the American Bankers Association, will be held at the Waldorf-Astoria Hotel in New York, on Monday evening, February 26, 1917.

Addresses will be delivered by eminent speakers, and every effort is being exerted to make this banquet a notable event.

The price of each seat will be \$12, and all trust companies are urged to send representatives and guests, and a cordial invitation is extended to friends affiliated with banks and banking houses to join the trust company men on this evening of social enjoyment.

A subscription blank is enclosed herewith, and all members are requested to return same promptly to the secretary at 5 Nassau Street, New York City.

The following gentlemen have kindly consented to serve as an Honorary Committee of Arrangements:

A. A. Jackson, vice-president Girard Trust Company, Philadelphia, Pa.  
Clarence H. Kelsey, president Title Guarantee & Trust Company, New York.  
Willard V. King, president Columbia Trust Company, New York.  
Alvin W. Krech, president Equitable Trust Company, New York.  
Edwin S. Marston, president Farmers Loan & Trust Company, New York.  
John H. Mason, vice-president Commercial Trust Company, Philadelphia, Pa.  
Edwin G. Merrill, president Union Trust Company, New York.  
John W. Platten, president United States Mortgage & Trust Company, New York.  
Seward Prosser, president Bankers Trust Company, New York.  
Charles H. Sabin, president Guaranty Trust Company, New York.  
Phillip Stockton, president Old Colony Trust Company, Boston, Mass.  
George C. Van Tuyl, Jr., president Metropolitan Trust Company, New York.



## EDUCATING EMPLOYEES

A comprehensive plan for training employees to occupy positions of greater responsibility has been launched by the Guaranty Trust Company of New York. In response to our inquiry, Fred. W. Ellsworth, secretary of the company, who has this matter in charge, advises:

The Guaranty Trust Company of New York is perfecting a plan for the further development of its employees so that they will become increasingly valuable to themselves and to the company, and thus provide a permanent corps of trained men competent to fill important clerical, administrative and executive positions in the organization. Under this plan all employees are given opportunities for education and development along lines to which each individual seems best adapted. New material, consisting of young men anxious to pursue a banking career, are obtained from picked sources, including the principal colleges and universities. The educational plan of the company embraces definite courses of study in foreign languages, practical banking, business English, commercial geography and kindred subjects, supplemented by comprehensive practical courses covering actual work in all of the thirty departments of the company.

The Princeton Bank & Trust Company of Princeton, New Jersey, is about to set in operation an educational plan through the formation of a class composed of its entire clerical force in order to pursue the A. I. B. course of study. The class will be in charge of a professor from the Department of Banking and Economics of Princeton University.

*(It will be appreciated if similar plans undertaken by trust companies throughout the country be brought to the attention of the Secretary's office.)*

"Bonus" has been one of the most popular words in trust company circles during the past month. The percentages varied in different parts of the country, but the element of liberality was generally manifested.

About seventy-five copies of "Forms for Trust Companies," as arranged by a special committee

and published in 1910, are still unsold. As it is proposed to begin within the near future the preparation of a new book of forms along somewhat different lines, the books now on hand are offered at \$7 each, in order to permit their distribution to companies not already possessing a copy. Circulars fully describing the forms contained in the volume will be sent upon application to the Secretary.

A number of booklets have been received during the past month from different companies of which more specific mention will be made in a subsequent issue of the JOURNAL.

John W. Platten, Chairman of the Executive Committee, announces the membership of committees as follows:

### Committee on Legislation

Uzal H. McCarter, president Fidelity Trust Company, Newark, N. J., Chairman.  
John H. Mason, vice-president Commercial Trust Company, Philadelphia, Pa.  
Frank W. Blair, president Union Trust Company, Detroit, Mich.  
Ralph W. Cutler, president Hartford Trust Company, Hartford, Conn.  
Oliver C. Fuller, president Wisconsin Trust Company, Milwaukee, Wis.  
Lucius Teter, president Chicago Savings Bank & Trust Company, Chicago, Ill.  
Seward Prosser, president Bankers Trust Company, New York City.

### Committee on Protective Laws

Lynn H. Dinkins, president Interstate Trust & Banking Company, New Orleans, La., Chairman.  
E. D. Hulbert, president Merchants' Loan & Trust Company, Chicago, Ill.  
Isaac H. Orr, vice-president St. Louis Union Trust Company, St. Louis, Mo.  
Theodore G. Smith, vice-president International Trust Company, Denver, Colo.  
W. T. Kemper, president Commerce Trust Company, Kansas City, Mo.

The names of State Vice-Presidents will be published in the 1916 issue of the Proceedings of the American Bankers Association.



# SAVINGS BANK SECTION

## OFFICERS OF THE SAVINGS BANK SECTION

### PRESIDENT

GEO. E. EDWARDS, President Dollar Savings Bank,  
New York, N. Y.

### FIRST VICE-PRESIDENT

JOSEPH R. NOEL, President North West State Bank,  
Chicago, Ill.

### SECRETARY

MILTON W. HARRISON  
Five Nassau Street, New York City.

## THE QUESTION OF PUBLIC CONFIDENCE

In a recent editorial in *Every Week*, under the caption, "Most of Us Common Folks Are Afraid of Banks," Bruce Barton states: "Banks are massive buildings with gratings over the windows like jails. Inside the front door of a bank stands a man dressed like a policeman, who looks at you when you enter as though he suspected you of meditating burglary. The men behind the gratings of banks are generally too busy to look up. You feel that they are so occupied in handling the deposits of millionaires that they do not care whether you put in your dollar or not. It is unfortunate for the banks that this is so; and unfortunate for the thrift habit of the American people. A bank ought to be as easy to walk into as a railway station; it ought to be as alluring as a saloon. There should be an orchestra playing in the vestibule, and a man with a hotel clerk's smile instead of a policeman's frown at the front door to welcome depositors. I am convinced that there are thousands of men and women and boys and girls who have never started a savings account simply because they are afraid to walk into a bank."

Mr. Barton's efforts to encourage the habit of thrift through the medium of the magazine of which he is the editor have been commendable as well as admirable. If taken literally and applied, however, his idea of attracting the people into banks would assuredly have a greater tendency to drive them out. We agree with him that courtesy at all times is quite essential; that the strictest courtesy should be maintained by the "man dressed like a policeman," whose duty it is to be of the greatest possible help to depositors; but in what an utterly ridiculous position a bank would be placed if it were made, even figuratively, "as alluring as a saloon" and if "an orchestra would be playing." It is obvious Mr. Barton has disregarded the important element of public confidence.

There is no class of banks in the United States which enjoys greater public confidence than the mutual savings banks. Housed in massive structures, conservative almost to a fault, courteous and obliging in the majority of cases, and investing with utmost safety the funds entrusted to its care, the savings bank has grown into a mighty institution. Reference is made to the mutual savings bank because of the manifest reference Mr. Barton has made to the same class of institutions. The earmarks of a wild-cat scheme are generally "as alluring as a saloon" or as "an orchestra playing in the vestibule." The confidence of the public is extremely subtle. The bank's continued existence depends upon it, and any proposition that would tend to affect that confidence adversely should be looked upon askance by the savings banker. It is far better to err on the right side than on the wrong side.

M. W. H.

## SECTION NOTES

### SALEM, MASS.

Ye Olde Town of Salem, beginning January 1, will conduct a campaign of thrift under the auspices of the Chamber of Commerce. The Secretary addressed a meeting of this body recently and was highly pleased to note the splendid interest taken by business man and banker. The campaign will be a success.

### POSTAL SAVINGS.

In his annual report to Congress, December 1, Postmaster-General Burleson stated: "At the close of the year (June 30, 1916) there were 8,421 postal savings depositories in operation, including 720 branches and stations. Deposits increased during the year from \$65,684,708 to \$86,019,885, a gain of \$20,335,177, or thirty-one per cent. The num-

ber of depositors increased from 525,414 to 602,937, a gain of 77,523, or fourteen and eight-tenths per cent. On June 20, 1916, 5,634 banks under national and state supervision had postal savings funds on deposit. It is gratifying to report that the returns from the system show that it continues to be self-supporting, the profit in 1916 being \$60,000 more than in the preceding year."

#### THE DOLLAR AND THE LAW.

The thrift film continues in popularity. Bookings are rapidly being taken up. Forty copies of the film are working constantly. Bankers are finding it a boom to business. The film takes a smash at the get-rich-quick promoter and makes the result of his efforts of no avail. It induces the people to save. Apply to your local motion-picture theater manager to secure the film—then co-operate with him in its exhibition. It is your opportunity.

#### CHRISTMAS CLUB.

Nearly three million persons in the United States received the benefits of their frugality at Christmas time through the agency of Christmas Clubs in banks and trust companies. Seventy million dollars was paid out. In New York and New Jersey alone \$22,750,000 was divided. It is estimated fully fifty per cent. of the funds is redeposited in the bank in savings accounts. At this rate the Christmas Savings Club is a success.

#### SURPRISING.

Fifty per cent. of the mutual savings banks depend upon bond houses "to a great extent" for information concerning, and credit standing of corporations, the bonds of which they invest in.

#### HEARINGS OF NEWLANDS COMMITTEE.

The first part of December the hearings of the Newlands Committee were abandoned. It is understood, however, that a new committee will be appointed from the new Congress which will conduct hearings after March 4. The Committee on Savings Legislation is at present collecting data and making a study of the railroad situation as it affects the savings banks. A questionnaire was sent to the mutual savings banks of the country concern-

ing the situation. Fifty per cent. of the banks have already answered; the results are very gratifying. A report of the questionnaire will be presented in next month's JOURNAL-BULLETIN.

#### THRIFT DAY.

February 3 as Thrift Day this year promises to be a huge success. It comes at the right time and should be participated in by every bank in the country.

#### TOO MUCH MONEY.

Some banks are actually refusing savings accounts because of surplus reserves. This attitude may be justified; but be careful that the prospective depositor is not so discouraged that he will never open a savings account. Now is the time to teach them to save. It is manifestly our duty as bankers to do everything possible to encourage thrift and eliminate waste.

#### NATIONAL CONFERENCE ON HIGH COST OF LIVING.

How about a national conference to consider the high cost of living as finding its cause in the lack of thrift in the individual?

#### PRESIDENT EDWARDS ADDRESSES CONVENTIONS.

George E. Edwards, President of the Savings Bank Section, addressed the conventions of the Connecticut Savings Banks Association and the Association of Life Insurance Presidents during December.

#### CONNECTICUT SAVINGS BANKS.

On December 7, 1916, the Connecticut Savings Banks Association held its annual convention. It was well attended and very interesting. E. L. Robinson spoke on "The Desirability of the Open Door for Savings Bank Investments." George E. Edwards spoke on "The Savings Bank and Current Events." It will be an unwritten rule in the future that the President of the Connecticut Savings Banks Association will be Vice-President of the Savings Bank Section for that state. S. Fred Strong, the newly elected president of the State Association, has also been elected Vice-President of the Section for Connecticut. The success of Mr. Strong's administration seems assured.

# CLEARING HOUSE SECTION

## OFFICERS OF THE CLEARING HOUSE SECTION

PRESIDENT  
W. D. VINCENT, Vice-President Old National Bank,  
Spokane, Wash.

CHAIRMAN EXECUTIVE COMMITTEE  
STODDARD JESS, President First National Bank,  
Los Angeles, Cal.

VICE-PRESIDENT  
JOHN McHUGH, Vice-Pres. Mechanics & Metals Nat'l Bank,  
New York, N. Y.

SECRETARY  
JEROME THRALLS, Five Nassau Street, New York City.

## MONTHLY CLEARINGS

### MISSOURI FOR CO-OPERATION

The following is an excerpt from a resolution adopted at the recent group meetings in the "Show Me State," and should result in the organization of several new clearing houses in that section:

*Resolved*, That in view of the decreasing margin of profit in the banking business, we believe the time has come for closer co-operation between banks in the smaller cities of the state. We hold the clearing houses for towns are the proper media for bringing the bankers together and insuring at all times that the customers of the banks shall receive just and equitable treatment, and the banks shall in turn receive a revenue proportionate to the services rendered.

The Secretary of the Section will be glad to assist in the organization of new clearing houses, and will send free to any banker or body of bankers who are interested in bringing about such organizations, a book covering the origin, development, functions and operations of the clearing house together with suggested by-laws, etc.

### CUTTING THE COLLECTION COSTS

The eleven country clearing houses operated in the United States handled 30,000,000 so-called country checks last year, effecting a saving thereon of \$293,000. More than three times this sum would have been saved had the banks in all the larger cities availed themselves of this efficient and inexpensive means of collecting checks and drafts on out-of-town banks. The country clearing house is no longer an experiment. Its usefulness and value have been demonstrated beyond doubt. The banks in any city that can throw into such a department a volume of one million or more dollars worth of out-of-town checks per month will find such an organization advantageous. The cost of operation is small and the savings are great.

### CLEARING "Go BACKS"

The St. Louis Clearing House handles the "return items" in a unique and most convenient way. At the hour fixed for the return of items that have been cleared through the regular exchanges, and found not good for any reason, each member sends to the clearing house a clerk who delivers to the manager items on other members that are found not good, and receives from the manager the items that other members have returned against his bank. Entries are made on statements similar to those used in the regular exchanges, and balances are struck. The manager of the clearing house authorizes the banks with credit balances to draw upon him for their respective amounts, and he draws upon the debtor members for the respective amounts due from them. These drafts are cleared at the next regular exchange and the complete settlement is thereby effected. This plan saves the bank officers much valuable time, relieves congestion at the tellers' windows at the busiest hour of the day, and saves the messengers many steps and annoyances. Every clearing house will find the plan an aid to the orderly and efficient handling of its business. A. N. Kingsbury, assistant cashier of the Central National Bank of St. Louis, was the originator of the plan. The following is the form of draft used for settlement:

St Louis Clearing House, _____ \$ _____	
In the settlement of the Exchange of return items made between the members of this	
Association _____	There is due to _____ No 49 1,234 1 No _____ Dollars
_____	
_____	



## MODERN METHOD OF SETTLEMENTS

Some of the largest clearing houses of this country are still following the expensive and hazardous system of settling balances by actual transfers of coin and currency. The abrasion on gold (coin and bullion), and the cost of hold-up insurance are in themselves items of some magnitude. Then, there is the expense of tellers, messengers, guards, taxis, cabs, or other vehicles that are used as well as the attending dangers of robbery.

In the twelve Federal reserve cities a plan of settlement by draft upon the Federal reserve bank might prove practical and convenient. That method is now being used in Boston. It so happens that the members of the clearing house in that city are likewise members of the Federal reserve bank. It would seem that arrangements could be made for associate members of the Federal reserve system. This idea might first be tried out by allowing banks that are members of clearing houses to pool in the Federal reserve banks a part of their required reserves, to serve as a basis of settlement of clearing house balances. Later arrangements could be made for such associate banks to get the benefit of the clearing and collection system, and of the rediscounting privileges through the agency of a member. The latter suggestion would require an amendment to the Federal Reserve Act, arrangements for proper supervision, proper reserve requirements and the other necessary safeguards. The strength of the Federal reserve system lies almost wholly in the reserve, note issuing and rediscounting features. Its capital requirements for a line of associate members might well be waived, in fact the system could in this way be greatly popularized and strengthened. The same thought might be applied to advantage in releasing banks of under \$100,000 capital from direct membership. The fact that the num-

ber of national banks that have left the system is greater than the number of state banks and trust companies that have been attracted to it, together with the unusual conditions that have prevailed since the inauguration of the system, indicate clearly that steps must be taken to strengthen and popularize it.

## FINE SHOWING FOR A YEARLING

Although the Richmond Country Clearing Association is but one year old it is effecting a saving at the rate of more than \$20,000 per annum for its members. It is handling 300,000 items per month aggregating \$15,000,000. Its operations extend to the states of Virginia, West Virginia, North Carolina and South Carolina.

## FORMS, KEYS AND STAMPS

The Clearing House Section will furnish upon your order forms, keys and stamps as outlined in the December JOURNAL-BULLETIN.

## SCHEDULE FOR NINETEEN SEVENTEEN:

The officers and executive committee of the Clearing House Section earnestly desire that the Section shall render every possible service to its members, to the banks generally and to the public during the year 1917. A country check collection department should be organized in each of the larger cities. The Clearing House Examination feature should also be instituted in those cities. A hundred new clearing houses should be organized, seventy-five additional cities should be induced to report total bank transactions, the numerical system and the no-protest symbol plan should be extended and further popularized. By close co-operation and determined effort these results may be attained. Please communicate to the Secretary of the Section any suggestion that may come to your mind that will be helpful in these movements; also give him the benefit of any ideas that may be of interest and of value to banks generally.



# NATIONAL BANK SECTION

## OFFICERS OF THE NATIONAL BANK SECTION

### PRESIDENT

J. S. CALFEE, Cashier Mechanics-American National Bank,  
St. Louis, Mo.

### CHAIRMAN EXECUTIVE COMMITTEE

OLIVER J. SANDS, President American National Bank,  
Richmond, Va.

### VICE-PRESIDENT

J. ELWOOD COX, President Commercial National Bank,  
High Point, N. C.

### SECRETARY

JEROME THRALLS, Five Nassau Street, New York City.

## THE FUTURE AND THE RESERVE SYSTEM

The Federal reserve system has been in operation slightly over two years. On many occasions during that period clouds have hovered over our eastern horizon, which, under conditions of former years, would have precipitated a panic, but instead of panics America has experienced the greatest business activity and the easiest money market in her history. The European war has kept a market open for our commodities at unprecedented prices, and has caused many of the American securities which were held abroad to be returned and taken up on the most favorable terms. Shall we sit idly by enjoying these things of the present and meet a rude awakening, or is it not better to consider the future, the time when these abnormal foreign demands for our products cease and the period of readjustment sets in?

The psychological effect of the Federal reserve system has been wonderful, its stabilizing influence has been worth much, but will the system have its resources in such shape as to be able to cope with the conditions that may arise and at the same time care for the domestic needs in an adequate way? Is the system as strong as it should be after two years' development? Are its resources being properly conserved and marshalled in the way that will make their use the most effective?

The Federal Reserve Bank of New York, acting under authority of the Federal Reserve Board and the provisions of section fourteen of the Federal Reserve Act has made arrangements whereby the Bank of England will act as its agent in the handling of cable transfers, bankers' acceptances, bills of exchange, etc. This is a big step in the direction of proper equipment for the efficient handling and development of our foreign business.

It is certain that the American public mind has materially changed and it now looks with

favor upon practices in a banking way that it would have shied at and even condemned a few years ago. In fact, a general evolution seems to be taking place in the life of the whole nation, particularly in its financial life. Great opportunities are looming up from all directions. They should be seized while in sight. They may never return. America is quick to adjust herself but it is unquestionably wise, when passing through periods such as we are now experiencing, to take stock carefully and to examine and test all machinery with the view of replacing the weak parts, and making improvements wherever possible. Many good business men and bankers feel that the Federal reserve system has not developed the strength that it should have in a period of two most favorable years, and that too much heed has been given to the idea that the Federal reserve banks must be publicly recognized as active going institutions with big lines of rediscounts, investments and large earnings. In recent months some of the Federal reserve banks have been charged with soliciting business in open competition with their respective members, not only in the line of rediscounts, but in line of certain investments. Commercial banks and business concerns frequently face troubles, reverses and even failure because of eagerness to show big totals. Managers of Federal reserve banks in the interest of sound banking principles should be able to resist the big total idea and the criticism from a few of their stockholders who clamor for dividends.

The Federal reserve banks should use every reasonable means to thoroughly inform their members of the various functions that the Federal reserve banks are intended for and ready to perform, and should use their influence in every way that will tend to strengthen the respective member banks and place those institutions in better position

to protect and serve the public interests, but they should not openly or otherwise solicit business in competition with their members. Hundreds of state banks would join the Federal reserve system if some of the autocratic practices and unnecessary petty objections were removed. The fact that the system has attracted less than forty state banks and trust companies to membership out of the thousands that are eligible is most serious and regrettable. The further fact that a large number of national banks have left the system and that many others are contemplating the surrender of their charters and the entry into the state system portends a condition that needs prompt and earnest consideration. More than seventy-five per cent. of the bankers of America are opposed to the clearing and collection feature of the Federal reserve system, because it denies their right to compensation for service which they render to the public entailing risk, labor and expense. Seventy per cent. of the bankers think this feature is unnecessary to the attainment of the objects sought by the Federal Reserve Act. All bankers favor and welcome proper supervision and regulation but like other free American citizens are opposed to confiscation, and the voiding of their right to receive pay for their labors.

The law is a great factor, the bankers are loyal to it, and want the Federal reserve system to succeed, but earnest co-operation cannot be expected when rights that are recognized by all laws of fairness and equity, and are guaranteed by the Constitution of the United States are ignored, particularly when applying to a feature of the system that is unnecessary to the attainment of the essential objects sought by the Act.

More contention and dissatisfaction has arisen among both member and non-member banks because of the operations of the clearing and collection system, than any other feature of the Federal reserve system. Section sixteen, under the provisions of which this feature is operated, is badly confused, and subject to many interpretations. Governor Harding, of the Federal Reserve Board, speaking at Kansas City, said in part about it: "That section was the result of a compromise. It was not enacted as originally drafted, nor was it enacted as a Senate bill which was passed after the visit of the Committee to Washington in 1913, but it was amended in conference.

The language of the section is somewhat involved. Section sixteen shrinks into insignificance as compared with the underlying principles of the Federal Reserve Act."

This being true, what is the impelling force that causes the Federal reserve banks to go to the severest extremes ever attempted in American banking to force at a heavy expense the operation of a system based upon one of many interpretations of a confused section of the law? In District No. 12 the Federal reserve bank is paying the express company a higher rate for collecting checks than would be charged by banks rendering the same service. The right to make charges for collection service is granted to the express companies by law and the rates are regulated by a government commission. Why should that agency be used to force banks to render the service without pay? Or why should an effort be made to use the Post Office Department in the same way when that department sells money orders to the people it was designed to serve, and charges thereon an average rate of \$9.10 per thousand dollars, and depends upon banks and business houses to liquidate or pay such money orders? The average exchange charge made by banks on the so-called country check is 66 $\frac{2}{3}$  cents per \$1,000.

The benefits accruing from the Federal reserve system to date are many times greater than the expense of its operation even though that expense has been excessive and could be reduced.

It is the duty of every banker for personal, patriotic and business reasons to study the law and the operations of the system, to assist and co-operate to the end that it shall be strengthened, popularized and developed to the highest degree. In the development of the system care should be taken to conserve the earning power of the members and to increase their efficiency—without proper earnings banks cannot increase and maintain their strength. They face an ever increasing demand for free service upon the part of the public and a constantly increasing cost of operation. Salaries, rents and supplies are going up while interest rates and other revenues are on the downward tendency. To break even, banks must depend largely upon an increased volume. It takes time to develop new avenues of income and the Federal reserve banks should be slow to deprive their members of any means of revenue.

# STATE SECRETARIES SECTION

## OFFICERS OF THE STATE SECRETARIES SECTION

### PRESIDENT

S. B. RANKIN, Secretary Ohio Bankers Association, Columbus, Ohio.

### FIRST VICE-PRESIDENT

GEORGE D. BARTLETT, Secretary Wisconsin Bankers Association, Milwaukee, Wis.

### SECOND VICE-PRESIDENT

FREDERICK H. COLBURN, Secretary California Bankers Association, San Francisco, Cal.

### SECRETARY-TREASURER

W. A. PHILPOTT, JR., Secretary Texas Bankers Association, Dallas, Tex.

## DELAWARE MEETING

The Delaware State Bankers Association held a meeting in the Hotel Du Pont, Wilmington, on December 19, at which a resolution was adopted that beginning April 1, 1917, the fifty-two banks comprising the association would not pay more than three per cent. on time deposits. This resolution excepts mutual savings fund institutions without capital. Fifty-one of the member banks were represented. A theatrical performance and a dinner tendered by the Wilmington Clearing House Association were the social numbers. The speakers at the dinner were Superintendent of Banks Eugene L. Richards, of New York, and Dr. Samuel C. Mitchell, president of Delaware College.

John H. Dabney, president of the Union Bank, Wilmington, was toastmaster.

## CONVENTION CALENDAR

April 6-7	Florida	St. Augustine
May 7-8-9	Spring Meeting, Executive Council,	
	A. B. A.	Briarcliff Manor, N. Y.
May 10-11	Oklahoma	Muskogee
May 10-12	Alabama	Mobile
May 15-17	Texas	El Paso
May 22-23	Missouri	
May 22-23	Mississippi	Greenville
-----	Idaho	Boise
-----	North Dakota	Fargo
-----	South Dakota	Huron
June 7-8	Pennsylvania	Bedford Springs
June 21-23	Washington	Spokane
June -----	Wyoming	
-----	Kentucky	Louisville
Sept. 24-30	American Bankers Association,	
	Atlantic City, N. J.	
-----	Amer. Inst. of Bkg.	Denver, Colo.
-----	Investment Bankers	Baltimore
-----	Kansas	Topeka
-----	Oregon	Marshfield
-----	Michigan	Detroit

## OFFICERS OF STATE BANKERS ASSOCIATIONS

REVISED TO JANUARY 1, 1917

### ALABAMA—ORGANIZED 1892.

*President*—C. E. THOMAS, president Autauga Banking & Trust Company, Prattville.

*Vice-President*—J. KIRK JACKSON, vice-president Exchange National Bank, Montgomery.

*Secretary-Treasurer*—HENRY T. BARTLETT, asst. cashier First National Bank, Montgomery.

### ARIZONA—ORGANIZED 1903.

*President*—R. E. MOORE, vice-president and cashier Valley Bank, Phoenix.

*Vice-President*—P. P. GREER, president First National Bank, Globe.

*Secretary*—MORRIS GOLDWATER, president Commercial Trust & Savings Bank, Prescott.

*Treasurer*—J. R. TODD, manager Gila Valley Bank & Trust Company, Globe.

### ARKANSAS—ORGANIZED 1891.

*President*—MOORHEAD WRIGHT, president Union Trust Company, Little Rock.

*Vice-President*—ALBERT ROWELL, cashier First National Bank, Eldorado.

### ARKANSAS—ORGANIZED 1891—Continued.

*Secretary*—ROBERT E. WAIT, president Citizens Investment & Security Company, Little Rock.

*Treasurer*—C. C. SPRAGINS, cashier Citizens National Bank, Hope.

### CALIFORNIA—ORGANIZED 1891.

*President*—J. M. HENDERSON, JR., president Sacramento Bank, Sacramento.

*Vice-President*—F. J. BELCHER, JR., cashier First National Bank, San Diego.

*Secretary*—FREDERICK H. COLBURN, 327 Mills Building, San Francisco.

*Treasurer*—GEORGE A. KENNEDY, assistant cashier First National Bank, San Francisco.

### COLORADO—ORGANIZED 1902.

*President*—J. M. B. PETRIKIN, vice-president First National Bank, Greeley.

*Vice-President*—D. T. STONE, president United States Bank and Trust Company, Grand Junction.

*Secretary*—PAUL HARDEY, cashier Interstate Trust Company, Denver.

*Treasurer*—W. F. BOYD, cashier Saguache County Bank, Saguache.



## CONNECTICUT—ORGANIZED 1899.

*President*—F. S. CHAMBERLAIN, cashier New Britain National Bank, New Britain.

*Vice-President*—CHARLES T. TREADWAY, president Bristol National Bank, Bristol.

*Secretary*—CHARLES E. HOYT, secretary and treasurer South Norwalk Trust Company, South Norwalk.

*Treasurer*—M. M. BAKER, assistant cashier National Bank of Commerce, New London.

## DELAWARE—ORGANIZED 1913.

*President*—OTHO NOWLAND, president Equitable Guardian & Trust Company, Wilmington.

*Secretary-Treasurer*—WM. G. TAYLOR, vice-president and treasurer Delaware Trust Company, Wilmington.

## DISTRICT OF COLUMBIA—ORGANIZED 1901.

*President*—JOHN POOLE, president Federal National Bank, Washington.

*First Vice-President*—CORCORAN THOM, vice-president American Security & Trust Company, Washington.

*Second Vice-President*—A. G. CLAPHAM, president Commercial National Bank, Washington.

*Secretary*—EDMUND S. WOLFE, cashier District National Bank, Washington.

*Treasurer*—A. S. GATLEY, cashier Lincoln National Bank, Washington.

## FLORIDA—ORGANIZED 1889.

*President*—F. N. CONRAD, president Merchants Bank, Daytona.

*Vice-Presidents*—FORREST LAKE, Sanford; G. B. LAMAR, St. Augustine; G. W. WARE, Leesburg; E. L. WIRT, Bartow; R. W. GOODIART, Pensacola.

*Secretary-Treasurer*—GEORGE R. DESAUSSURE, vice-president Barnett National Bank, Jacksonville.

## GEORGIA—ORGANIZED 1902.

*President*—CHARLES B. LEWIS, president Fourth National Bank, Macon.

*Vice-Presidents*—RUFUS H. BROWN, Augusta; J. W. HEFFERNAN, Savannah; T. R. TURNER, Haddock; H. WARNER MARTIN, Atlanta; EUGENE W. STETSON, Macon.

*Secretary*—HAYNES MCFADDEN, Candler Building, Atlanta.

*Treasurer*—E. C. SMITH, vice-president and cashier Griffin Banking Company, Griffin.

## IDAHO—ORGANIZED 1905.

*President*—WALTER E. MILLER, president First National Bank, Nampa.

*Vice-President*—J. C. BLACKWELL, cashier Parma State Bank, Parma.

*Secretary*—J. W. ROBINSON, secretary Union Savings & Trust Company, Boise.

*Treasurer*—L. N. SWIFT, president Farmers State Bank, Nezperce.

## ILLINOIS—ORGANIZED 1891.

*President*—W. S. REARICK, president Skiles, Rearick & Company, Ashland.

*Vice-President*—ROBERT R. WARD, vice-president Benton State Bank, Benton.

*Secretary*—R. L. CRAMPTON, 208 So. LaSalle Street, Chicago.

*Treasurer*—H. G. HENRY, cashier Peoples Bank, Camp Point.

## INDIANA—ORGANIZED 1897.

*President*—J. L. BAYARD, JR., president First National Bank, Vincennes.

*Vice-President*—F. E. DAVIS, president Citizens National Bank, Tipton.

*Secretary*—ANDREW SMITH, 611 Indiana Trust Bldg., Indianapolis.

*Treasurer*—J. S. ROYSE, president Terre Haute Trust Company, Terre Haute.

## IOWA—ORGANIZED 1887.

*President*—GEORGE S. PARKER, president Live Stock National Bank, Sioux City.

*Vice-President*—JOHN P. KIRBY, president First National Bank, Estherville.

*Secretary*—FRANK WARNER, Des Moines.

*Treasurer*—JOHN CARMODY, cashier Perry Savings Bank, Perry.

## KANSAS—ORGANIZED 1887.

*President*—L. H. WULFEKUHLE, vice-president Wulfekuhler State Bank, Leavenworth.

*Vice-President*—THOMAS B. KENNEDY, president First National Bank, Junction City.

*Secretary*—W. W. BOWMAN, Topeka.

*Treasurer*—C. B. LAMBE, cashier Valley State Bank, Belle Plaine.

## KENTUCKY—ORGANIZED 1891.

*President*—W. F. BRADSHAW, JR., president Mechanics Trust & Savings Bank, Paducah.

*Secretary*—ARCH B. DAVIS, American National Bank Building, Louisville.

*Treasurer*—H. D. ORMSBY, vice-president National Bank of Kentucky, Louisville.

## LOUISIANA—ORGANIZED 1900.

*President*—J. W. BOLTON, president Rapides Bank, Alexandria.

*Vice-President*—L. O. BROUSSARD, president Bank of Abbeville, Abbeville.

*Secretary*—EUGENE CAZEDESSUS, cashier Bank of Baton Rouge, Baton Rouge.

*Treasurer*—A. T. KAHN, vice-president Commercial National Bank, Shreveport.

## MAINE—ORGANIZED 1900.

*President*—ERNEST J. EDDY, president Fidelity Trust Company, Portland.

*Vice-President*—HENRY F. LIBBY, cashier Pittsfield National Bank, Pittsfield.

*Secretary*—E. S. KENNARD, cashier Rumford National Bank, Rumford.

*Treasurer*—GEORGE A. SAFFORD, treasurer Hallowell Trust & Banking Company, Hallowell.

## MARYLAND—ORGANIZED 1896.

*President*—JAMES M. SLOAN, president Lonaconing Savings Bank, Lonaconing.

*Vice-Presidents*—HARRY J. HOPKINS, Annapolis; WM. E. BRATTEN, Snow Hill; HENRY B. REINHARDT, Baltimore; E. E. REINDOLLAR, Taneytown; CHANNING RUDD, Baltimore.

*Secretary*—CHARLES HANN, assistant cashier Merchants-Mechanics First National Bank, Baltimore.

*Treasurer*—WILLIAM MAIRIOTT, cashier Western National Bank, Baltimore.

## MASSACHUSETTS—ORGANIZED 1905.

*President*—CHARLES B. COOK, cashier Metacomet National Bank, Fall River.

*Vice-President*—GEORGE E. BROCK, president Home Savings Bank, Boston.

*Secretary*—GEORGE W. HYDE, assistant cashier First National Bank, Boston.

*Treasurer*—J. H. GIFFORD, cashier Merchants National Bank, Salem.

## MICHIGAN—ORGANIZED 1887.

*President*—WM. J. GRAY, vice-president First and Old Detroit National Bank, Detroit.

*First Vice-President*—FRANK W. BLAIR, president Union Trust Company, Detroit.

*Second Vice-President*—J. H. RICE, president Houghton National Bank, Houghton.

*Secretary*—MRS. H. M. BROWN, 1313 Ford Building, Detroit.

*Treasurer*—GUSTAV HILL, president First National Exchange Bank, Port Huron.

## MINNESOTA—ORGANIZED 1887.

*President*—HENRY VON DER WEYER, vice-president Merchants National Bank, St. Paul.  
*Vice-President*—A. C. GOODING, president First National Bank, Rochester.  
*Secretary*—GEORGE H. RICHARDS, 611 Northwestern Bank Bldg., Minneapolis.  
*Treasurer*—J. F. MILLARD, president Kandiyohi County Bank, Willmar.

## MISSISSIPPI—ORGANIZED 1889.

*President*—J. A. BANDI, vice-president First National Bank, Gulfport.  
*Vice-President*—W. P. KRETSCHMAR, president Commercial Savings Bank, Greenville.  
*Secretary*—T. H. DICKSON, Vicksburg.  
*Treasurer*—E. P. PEACOCK, president Bank of Clarksdale, Clarksdale.

## MISSOURI—ORGANIZED 1891.

*President*—THORNTON COOKE, president Midwest National Bank, Kansas City.  
*Vice-President*—W. B. SANFORD, president Holland Banking Company, Springfield.  
*Secretary*—W. F. KEYSER, Sedalia.  
*Treasurer*—FRANK T. HODGSON, cashier Farmers and Merchants Bank, Hannibal.

## MONTANA—ORGANIZED 1904.

*President*—FRANK BOGART, vice-president Union Bank & Trust Company, Helena.  
*Vice-President*—R. J. COVERT, president Merchants National Bank, Billings.  
*Secretary-Treasurer*—E. A. NEWLON, cashier Great Falls National Bank, Great Falls.

## NEBRASKA—ORGANIZED 1890.

*President*—DAN MORRIS, president City National Bank, Kearney.  
*Secretary*—WILLIAM B. HUGHES, manager Omaha Clearing House, Omaha.  
*Treasurer*—J. F. COAD, president Packers National Bank, South Omaha.

## NEVADA—ORGANIZED 1908.

*President*—C. W. FOOTE, cashier Churchill County Bank, Fallon.  
*Vice-President*—MOSES REINHART, president Winnemucca State Bank, Winnemucca.  
*Secretary*—J. W. DAVEY, secretary Reno Clearing House Association, Reno.  
*Treasurer*—J. T. GOODIN, cashier First National Bank, Lovelocks.

## NEW HAMPSHIRE—ORGANIZED 1913.

*President*—PERLEY R. BUGBEE, cashier Dartmouth National Bank, Hanover.  
*Secretary*—HARRY L. ADDITON, vice-president and cashier Merchants National Bank, Manchester.  
*Treasurer*—EDMUND LITTLE, treasurer Laconia Savings Bank, and vice-president Peoples National Bank, Laconia.

## NEW JERSEY—ORGANIZED 1903.

*President*—JOHN D. EVERITT, president Orange National Bank, Orange.  
*Vice-President*—WILLIAM CHAMBERS, president Vineland Trust Company, Vineland.  
*Secretary*—WILLIAM J. FIELD, vice-president Commercial Trust Company, Jersey City.  
*Treasurer*—ELWOOD S. BARTLETT, cashier Atlantic City National Bank, Atlantic City.

## NEW MEXICO—ORGANIZED 1905.

*President*—H. B. JONES, president First National Bank, Tucumcari.  
*Vice-President*—J. W. POE, president Citizens National Bank, Roswell.  
*Secretary*—W. A. McMILLIN, cashier American Trust & Savings Bank, Albuquerque.  
*Treasurer*—C. A. NYHUS, cashier First National Bank, Raton.

## NEW YORK—ORGANIZED 1894.

*President*—BENJAMIN E. SMYTHE, president Gramatan National Bank, Bronxville.  
*Vice-President*—JOHN H. GREGORY, president Central Bank, Rochester.  
*Secretary*—WM. J. HENRY, 11 Pine Street, New York City.  
*Treasurer*—ALEXANDER C. SNYDER, vice-president Broadway Trust Company, Brooklyn.

## NORTH CAROLINA—ORGANIZED 1897.

*President*—W. S. BLAKENEY, president Bank of Union, Monroe.  
*Vice-Presidents*—W. B. DRAKE, JR., Raleigh; JAMES A. GRAY, JR., Winston-Salem; J. B. RAMSEY, Rocky Mount.  
*Secretary-Treasurer*—WM. A. HUNT, cashier Citizens Bank, Henderson.

## NORTH DAKOTA—ORGANIZED 1903.

*President*—J. E. PHELAN, president First National Bank, Bowman.  
*Vice-President*—C. R. GREEN, cashier Merchants & Farmers Bank, Cavalier.  
*Secretary*—W. C. MACFADDEN, Fargo.  
*Treasurer*—W. F. HANKS, cashier State Bank, Powers Lake.

## OHIO—ORGANIZED 1891.

*President*—ASAE E. ADAMS, president First National Bank, Youngstown.  
*Vice-President*—W. A. BLICKE, cashier The Bucyrus City Bank, Bucyrus.  
*Secretary*—S. B. RANKIN, president Bank of South Charleston, South Charleston. Office of the Association, 805 Wyandotte Bldg., Columbus.  
*Treasurer*—W. B. LAMB, assistant cashier National Bank of Commerce, Toledo.

## OKLAHOMA—ORGANIZED 1897.

*President*—L. E. PHILLIPS, cashier Bartlesville National Bank, Bartlesville.  
*Vice-President*—H. A. MCCAULEY, president Sapulpa State Bank, Sapulpa.  
*Secretary*—HARRY E. BAGBY, president Farmers State Bank, Vinita. Office of the Association, 908 Colcord Building, Oklahoma City.  
*Treasurer*—S. GARRETT, vice-president Farmers National Bank, Fort Gibson.

## OREGON—ORGANIZED 1905.

*President*—F. L. MEYERS, cashier La Grande National Bank, La Grande.  
*Vice-President*—E. D. CUSICK, president J. W. Cusick & Company, Albany.  
*Secretary*—J. L. HARTMAN, Hartman & Thompson, Bankers, Portland.  
*Treasurer*—J. H. BOOTH, president Douglas National Bank, Roseburg.

**PENNSYLVANIA—ORGANIZED 1894.**

*President*—J. W. B. BAUSMAN, president Farmers Trust Company, Lancaster.  
*Vice-President*—LAWRENCE E. SANDS, president First-Second National Bank, Pittsburgh.  
*Secretary*—D. S. KLOSS, cashier First National Bank, Tyrone.  
*Treasurer*—R. J. MATTERN, cashier Union National Bank, Huntingdon.

**RHODE ISLAND—ORGANIZED 1915.**

*President*—THOMAS B. CONGDON, cashier Aquidneck National Bank, Newport.  
*Vice-President*—H. W. FITZ, vice-president Slater Trust Company, Pawtucket.  
*Secretary*—E. A. HAVENS, assistant cashier Mechanics National Bank, Providence.  
*Treasurer*—HENRY L. WILCOX, cashier National Bank of Commerce, Providence.

**SOUTH CAROLINA—ORGANIZED 1901.**

*President*—IRA B. DUNLAP, president National Union Bank, Rockhill.  
*Vice-President*—CHARLES D. JONES, president First National Bank, Lancaster.  
*Secretary-Treasurer*—JULIEN C. ROGERS, cashier First National Bank, Florence.

**SOUTH DAKOTA—ORGANIZED 1886.**

*President*—JAMES B. LAMBERTSON, cashier Sioux Falls Savings Bank, Sioux Falls.  
*Vice-President*—R. E. CONE, president James Valley Bank, Huron.  
*Secretary*—A. B. DARLING, vice-president Western National Bank, Mitchell.  
*Treasurer*—A. KOPPERUD, vice-president Security Bank, Webster.

**TENNESSEE—ORGANIZED 1890.**

*President*—A. R. DODSON, cashier Merchants State Bank, Humboldt.  
*Vice-Presidents*—W. H. EPPES, Tazewell; W. P. HICKERSON, JR., Manchester; C. E. SWEATT, Friendship.  
*Secretary*—F. M. MAYFIELD, Nashville.  
*Treasurer*—G. W. WADE, president Bank of Trenton, Trenton.

**TEXAS—ORGANIZED 1885.**

*President*—J. W. BUTLER, president First Guaranty State Bank, Clifton.  
*Vice-Presidents*—B. C. ROBERTS, Wharton; I. J. MILLER, Beeville; ROBERT J. ECKHARDT, Taylor; EARLE B. SMYTHE, Mart; J. W. BIRDSONG, Greenville; JOHN T. YANTIS, Brownwood; E. B. BYNUM, Abilene.  
*Secretary*—W. A. PHILPOTT, JR., Dallas.  
*Treasurer*—C. E. MCCUTCHEN, assistant cashier First National Bank, Wichita Falls.

**UTAH—ORGANIZED 1909.**

*President*—ELIAS A. SMITH, cashier Deseret Savings Bank, Salt Lake City.  
*First Vice-President*—J. G. M. BARNES, vice-president Barnes Banking Company, Kaysville.

**UTAH—ORGANIZED 1909—Continued.**

*Second Vice-President*—JOSEPH R. MURDOCK, president Bank of Heber City, Heber.  
*Secretary-Treasurer*—J. E. SHEPARD, cashier Cache Valley Banking Company, Logan.

**VERMONT—ORGANIZED 1909.**

*President*—H. G. WOODRUFF, director National Bank of Orange County, Chelsea.  
*Vice-President*—A. H. CHANDLER, treasurer Bellows Falls Trust Co., Bellows Falls.  
*Secretary*—C. S. WEBSTER, treasurer Barton Savings Bank & Trust Company, Barton.  
*Treasurer*—D. L. WELLS, cashier First National Bank, Orwell.

**VIRGINIA—ORGANIZED 1893.**

*President*—E. B. SPENCER, cashier National Exchange Bank, Roanoke.  
*Vice-President*—W. M. ADDISON, cashier First National Bank, Richmond.  
*Secretary*—WALKER SCOTT, cashier Planters Bank, Farmville.  
*Treasurer*—W. F. AUGUSTINE, assistant cashier Merchants National Bank, Richmond.

**WASHINGTON—ORGANIZED 1899.**

*President*—RALPH S. STACY, president National Bank of Tacoma, Tacoma.  
*Vice-President*—J. A. SWALWELL, vice-president National Bank of Commerce, Seattle.  
*Secretary*—W. H. MARTIN, cashier Pioneer National Bank, Ritzville.  
*Treasurer*—FRANK CARPENTER, president Cle Elum State Bank, Cle Elum.

**WEST VIRGINIA—ORGANIZED 1895.**

*President*—A. B. C. BRAY, cashier First National Bank, Ronceverte.  
*Vice-President*—H. O. ALESHIRE, vice-president Day and Night Bank, Huntington.  
*Secretary-Treasurer*—JOSEPH S. HILL, cashier Charleston National Bank, Charleston.

**WISCONSIN—ORGANIZED 1892.**

*President*—J. R. WHEELER, vice-president Farmers & Merchants Union Bank, Columbus.  
*Vice-President*—W. M. POST, cashier National Exchange Bank, Milwaukee.  
*Secretary*—GEORGE D. BARTLETT, 408 Pabst Bldg., Milwaukee.  
*Treasurer*—LEWIS LARSON, president Island City State Bank, Cumberland.

**WYOMING—ORGANIZED 1908.**

*President*—GEORGE W. PERRY, vice-president Sheridan National Bank, Sheridan.  
*Vice-President*—S. C. LANGWORTHY, cashier Stock Growers National Bank, Buffalo.  
*Secretary*—HARRY B. HENDERSON, cashier The Wyoming Trust & Savings Bank, Cheyenne.  
*Treasurer*—FRED F. NOBLE, vice-president Lander State Bank, Lander.



# STATE BANK SECTION

## OFFICERS OF THE STATE BANK SECTION

### PRESIDENT

J. H. PUELICHER, Vice-Pres. Marshall & Ilsley Bank,  
Milwaukee, Wis.

### FIRST VICE-PRESIDENT

E. D. HUXFORD, Pres. Cherokee State Bank,  
Cherokee, Iowa.

### CHAIRMAN EXECUTIVE COMMITTEE

C. B. HAZLEWOOD, Ass't to Pres. Union Trust Company,  
Chicago, Ill.

### SECRETARY

GEORGE E. ALLEN, Five Nassau Street, New York City.

## STATE BANK SENTIMENT

A meeting of the Executive Committee of the State Bank Section of the American Bankers Association was held in Chicago December 15 and 16, at which all the members of the committee were present, viz.: J. H. Puelicher, Milwaukee, Wis.; E. D. Huxford, Cherokee, Iowa; Craig B. Hazlewood, Chicago, Ill.; C. C. K. Scoville, Seneca, Kan.; D. M. Armstrong, Memphis, Tenn.; H. A. Moehlenpah, Clinton, Wis.; E. C. McDougal, Buffalo, N. Y.; J. W. Butler, Clifton, Tex. Subsequently a joint meeting of the Executive Committee and the Section Committee on Federal Legislation was held. Various matters of interest to state banks were discussed, and plans were formed to obtain from the state bankers of the country a consensus of their opinion in regard to the advantages and disadvantages of membership in the Federal reserve system. Several questions will accordingly be prepared with due care that no question shall be so constructed as to suggest any particular answer. Full and free discussion is desired and personal identities will not be disclosed.

In view of the fact that the matter of clearing and collecting checks is being considered by the Committee of Twenty-five appointed for such purpose by the American Bankers Association at its Kansas City convention, no questions in regard to that subject will be submitted by the State Bank Section at the present time. The opinion of state bankers is particularly desired in regard to what changes, if any, should be made in the provisions of the Federal Reserve Act governing (1) supervision and examination of state bank members, (2) loans by state banks on real estate security, (3) reserve requirements and (4) limitations on loans. Another meeting of the Executive Committee of the State Bank Section will be held at the place and time of the Spring Meeting of the Executive Coun-

cil of the American Bankers Association—Briarcliff, N. Y., May 9.

## SECTION COMMITTEES

President J. H. Puelicher of the State Bank Section has announced the appointment of Section committees as follows:

Federal Legislative Committee—E. D. Hulbert, Chicago, Ill., chairman; C. C. K. Scoville, Seneca, Kan.; Dwight M. Armstrong, Memphis, Tenn.; Fred I. Kent, New York.

Uniform State Laws Committee—E. C. McDougal, Buffalo, N. Y., chairman; William R. Dawes, Chicago, Ill.; R. S. Hecht, New Orleans, La.; E. O. Howard, Salt Lake City, Utah; H. A. Moehlenpah, Clinton, Wis.

Ways and Means Committee—J. W. Butler, Clifton, Tex., chairman; E. O. Rice, Detroit, Mich.; Robert H. Bean, Portland, Me.

Membership Committee—E. D. Huxford, Cherokee, Iowa, chairman; Fred W. Ellsworth, New York; J. Lucas Williams, San Francisco, Cal.

## TOO COSTLY

From Wisconsin: "Conditions which would bring about the practically unanimous membership of state banks in the Federal reserve system would be desirable in our opinion. Membership of this bank would mean a fifty per cent. increase in our capital, would bring about an increase of \$750 in our local taxes, double the cost of examination and cause loss of interest on balances and loss of income on stock in reserve bank, which would make our total cost of joining the system \$1,200 to \$1,500 per year. Too high a cost, we think."



### SIMPLICITY

From Wisconsin: "My idea on the proper system of clearing and collecting checks is to have each and every bank have printed on its checks the American Bankers Association number of its reserve city correspondent. I see no reason why these checks could not be cleared through the clearing houses, each city bank taking the checks drawn on its country correspondents and mailing them direct to the bank on which they are drawn, debiting its account with the amount. No issuing of draft in payment thereof necessary. No collection fee to be charged."

### SIMPLE EXAMINATIONS

From Illinois: "I think that the state banks should be connected with the Federal reserve system, provided they are given the same privileges that are allowed to the national banks, and provided they would accept the examination of the state bank examiners instead of requiring two examinations from different supervisors, and also permit the states to be the supervisors of the state banks, and not try to serve two masters."

### STATE BANKERS' NATIONAL BANKS

From Wisconsin: "As our branches of the Federal reserve banks now located in many instances comprise territory lying in three different states, with as many different state banking laws, it would not be practical or advisable for state banks, as a whole, to become members or to be allowed to become members of the Federal reserve bank system. Under the existing circumstances and conditions it seems plausible that the state bankers of each state organize what may be termed the State Bankers National Bank of Wisconsin (or other state) which bank shall be a member of the Federal reserve bank, and at the same time be the representative of its state banks in the Federal system, according to rules and regulations as may be agreed upon. Such national state bank shall be the clearing house for collection and clearing of

checks for the banks it represents, and transact such other business as may be beneficial to its member banks. This would bring the cost of exchange and clearing of checks to a minimum, and would force a uniformity of state banking laws, and would form a closer relationship among all state bankers and national bankers than now exists. The above is not an expensive or difficult plan to accomplish, and we feel confident that eventually the state and national banks would be one unit."

### COLLECTING CHECKS

From Illinois: The new ruling of the Federal reserve system with reference to clearing checks appears to me as being one of the best things in the system. Next to that it seems to me that efficient clearing-house associations with collection departments for handling outside items similar to the plan in vogue in Kansas City, Mo., are about as good as anything I know of. In my judgment it is wise and practical for banks generally to remit at par for checks sent to them by other banks drawn on themselves. If it would be expedient for the American Bankers Association to do so, I would suggest that a letter be addressed by the Association to each member bank inquiring whether or not it would be willing to remit in current exchange at par to any other member bank for any check or draft drawn upon itself sent direct, providing that the bank sending in the item for collection would state that it had made no exchange charge on the check, and none had been made on it prior to their receiving it. When the replies are received, the Association should make a list of such banks as would remit at par, sending a copy to each member bank. I know that there are a good many banks who charge exchange on such items and who would oppose such a plan quite bitterly. I would not suggest that the American Bankers Association undertake to use any particular influence in any way with reference to exchange charges, though my own opinion is that all banks would find it profitable to remit for such items at par. This I believe is similar to the plan followed by the Federal-reserve system."



# BULLETIN

## OF THE

# AMERICAN INSTITUTE OF BANKING

### INSTITUTE EXECUTIVE COUNCIL

1917—ROBERT H. BEAN (*ex-officio*), Casco Mercantile Trust Company, Portland, Me.; H. G. PROCTOR (*ex-officio*), Richmond Clearing Association, Richmond, Va.; FRANK C. BALL, Mississippi Valley Trust Company, St. Louis, Mo.; FRANK B. DEVEREUX, National Savings & Trust Company, Washington, D. C.; R. S. HECHT, Hibernia Bank & Trust Company, New Orleans, La.; JOHN W. RUDEKAMP, Corn Exchange Bank, Chicago, Ill.  
 1918—E. G. MCWILLIAM (*ex-officio*), Security Trust & Savings Bank, Los Angeles, Cal.; S. D. BECKLEY, City National Bank, Dallas, Tex.; HARRY E. HEBRANK, Union National Bank, Pittsburgh, Pa.; R. H. MACMICHAEL, Dexter Horton Trust & Savings Bank, Seattle, Wash.; R. A. NEWELL, First National Bank, San Francisco, Cal.  
 1919—GEO. F. KANE, Society for Savings, Hartford, Conn.; C. H. CHENEY, First National Bank, Kansas City, Mo.; WM. A. NICKERT, Eighth National Bank, Philadelphia, Pa.; JAMES RATTRAY, Bank of Buffalo, Buffalo, N. Y.

### OFFICERS OF THE INSTITUTE

President, E. G. MCWILLIAM, Security Trust & Savings Bank, Los Angeles, Cal. Vice-President, H. G. PROCTOR, Richmond Clearing Association, Richmond, Va. Educational Director, GEORGE E. ALLEN, Five Nassau Street, New York City. Assistants to Educational Director, R. W. HILL and M. W. HARRISON, Five Nassau Street, New York City. Board of Regents—O. M. W. SPRAGUE, Chairman, Professor of Banking and Finance in Harvard University, Cambridge, Mass.; E. W. KEMMERER, Professor of Banking and Economics in Princeton University, Princeton, N. J.; HAROLD J. DREHER, National City Bank, New York City; C. W. ALLENDOERFER, First National Bank, Kansas City, Mo.; GEORGE E. ALLEN, Five Nassau Street, New York City.

## POST-GRADUATE THESES FOR 1917

1. THE GOLD SUPPLY AND THE FEDERAL RESERVE BANKS.
2. TRADE AND BANK ACCEPTANCES IN OUR FINANCIAL SYSTEM.
3. WAR FINANCE AND THE FUTURE OF AMERICA'S FINANCIAL POSITION.
4. ECONOMIC AND FINANCIAL CHANGES UNDER THE RURAL CREDIT LAW.

THE Board of Regents of the American Institute of Banking have selected the foregoing subjects for post-graduate theses for the year 1917. The key-note of post-graduate education is original thought and research, and therefore the thesis is considered the most satisfactory test of qualification. Subjects for theses are to be selected each year by the Post-Graduate Committee. However, to encourage originality and give the opportunity for specialization, some latitude will be allowed, and theses may be written on any important phase of the subjects prescribed, provided the subject selected be approved by the Educational Director.

The object of the thesis is not simply to ascertain how much reading has been done or how many references can be quoted; it is to show an original practical application of principles, with the purpose of increasing the store of the world's knowledge, instead of merely repeating what is already

known. This may seem a high ideal, but it is the proper inspiration for the man seeking the Institute's degree.

### Conditions Governing Post-Graduate Theses

1. Theses must be typewritten and five identical copies submitted to the Educational Director not later than June 1. In length theses must be not less than 5,000 words nor more than 10,000 words.
2. Theses thus submitted must contain bibliographical reference to books and authorities utilized in their preparation.
3. Theses must bear fictitious names that will conceal the identity of their authors. In a sealed envelope addressed to the Educational Director each author must give his real name in connection with the fictitious name signed to his thesis. The Board of Regents of the Institute will determine the relative merits of theses submitted.
4. Unsuccessful contestants may submit theses until they have either secured the Institute degree or have satisfied themselves that it is beyond attainment, but no contestant may submit more than one thesis in any one year.

### Purpose of Post-Graduate Work

The standard study course of the American

Institute of Banking covers the theory and practice of banking and such principles of economics and law as pertain to the banking business. The work thus arranged not only furnishes fundamental knowledge needed by all bankers, but also serves as an introduction and impetus to more extensive research. The post-graduate work provided for Institute graduates, however, is more than a mere supplementary form of education designed for Chapter members. It is the response of the only systematic educational factor in the American banking world to the modern demand for a class of scientifically and professionally trained bankers. The study of banking, like the study of law, medicine or engineering, consists of investigation and

research into the natural or fundamental laws of economic science and their effect upon human progress. Men and laws react upon each other and the result is history. It will be observed, therefore, that post-graduate study prescribed by the Institute consists largely of a study of this country's financial history. The intention is to have the student obtain a complete knowledge of the banking measures that have been tried in this and other countries—their effects on banking and the country in general and the reasons for their development or rejection. Having mastered such work, the student will be prepared to take up the study and solution of present-day problems—that being the main object of the post-graduate course.

## SURVEY OF INSTITUTE WORK

Chapter presidents send reports to respective members of the Institute Executive Council designated as representing the national body in each of the districts as outlined by President McWilliam in the November BULLETIN. Such reports are as follows:

### Report of Councilman Beckley

#### AUSTIN:

*Educational:* This is one of the younger chapters, having been organized last February. Began with law course; therefore continuing same after summer's intermission. Now in negotiable instruments. Regular class meets each week; attendance, considering total membership, good.

*Social:* Nothing special this year. Annual banquet planned for about February 1.

*Special:* On account of tremendous volume of business, it has not been wise to attempt any special work, such as thrift, special meetings, etc. Contemplate finishing law course about February 1 and will then take up banking course and carry it on through next term, which will allow ample time for review of both courses and examination for Institute certificate. After first of year, work will not be so heavy; therefore more time will be given over to chapter affairs and increased interest is anticipated.

#### DALLAS:

*Educational:* Conducting two classes, viz.: Banking and public speaking and debating. Both classes well attended, considering unusual strain of work.

*Social:* Usual social activity opening chapter night. That is, smoker with outline of work by officers and committeemen and entertainment in form of quartette

and solos by members of chapter and their wives. Debating Club entertained one evening with debate: "Resolved, that Texas should adopt a minimum wage applicable to women and girls employed in factories, department stores and workshops."

*Special:* Debate between Dallas Chapter and Young Men's Debating Club of Oak Cliff at the Central Baptist Church of Oak Cliff on the Single Tax. Dallas Chapter represented the affirmative. Judges decided, however, in favor of the negative. Special campaign on thrift work planned after first of year.

#### EL PASO:

*Educational:* Conducting class in banking, attendance reasonably good.

*Social:* Had banquet during month of November for the purpose of bringing the Institute more clearly to the bank men.

*Special:* Plans under way for securing "The Dollar and the Law" motion picture, but no other thrift work is contemplated at the present time. Border conditions are handicapping the chapter in its work.

#### FORT WORTH:

*Educational:* Conducting both law and banking classes. Law class being led by prominent attorney, who calls attention to Texas statutes as important points come up. Interest and attendance good. Banking class being conducted by four bank officials with attendance good.

*Social:* Nothing special—devoting all energies to regular chapter work.

*Special:* "The Dollar and the Law" film will be shown in local theater on December 15-16. Local chapter is advertising same and conducting some thrift work. This chapter, in common with all other Texas chapters, is having its hardships incident to the heavy fall business.

## SAN ANTONIO:

*Educational:* Conducting class in banking with interest and attendance good. Following regular class method of instructions and getting good results. Year's work divided into four parts, each being thoroughly covered by special examination. Have very able instructor. Prospects good for effective season's work.

*Special:* Planning some special work later in the season. A number of our very interested members will receive their certificates this year and are evidencing much interest in the plans of our Educational Director and Board of Regents in connection with work to directly follow the present course.

## WACO:

*Educational:* One of the younger chapters organized last February. Began with law and at present studying negotiable instruments. Have very able instructor and, considering volume of work, attendance good.

*Social:* Have no special social meetings, other than "smoker" once a month with good address by some able speaker. Planning annual banquet soon after first of year.

*Special:* No thrift work planned at present.

## Report of Councilman Hebrank

	Previous Membership	New Members	Resignations	Present Membership	Study Classes
Pittsburgh ....	964	43	29	978	{ Banking Law
Cleveland .....	362	170	..	532	{ Accounting Corp. Finance
Toledo .....	150	32	12	170	{ Banking Finance
Dayton .....	122	4	1	125	{ Banking Law
Cincinnati ....	213	76	12	277	{ Banking Law
Wheeling .....	75	..	..	75	{ Pub. Speak. Banking
	1886	325	54	2157	{ Pub. Speak.

## New members during November 271.

	Average Attendance	Open Meetings	Attendance	Special Work	Social	Athletics
Pittsburgh ..	{ 25 10 25 60	none	...	none	none	{ Basket Ball
Cleveland ...	100	one	200	none	none	{ Bowling League
Toledo .....	{ 50 50	none	...	none	none	{ Bowling League
Dayton .....	{ 25 25	one	42	Talks by members	Dance	{ Basket Ball
Cincinnati ..	{ 25 23 12	one	75	none	none	none
Wheeling ...	{ 8 8	none	...	none	none	none

## Report of Councilman Newell

## LOS ANGELES:

*Educational:* Four hundred and eight enrolled members in banking class approaching completion of first half of course. Regular monthly meeting November 17. Prof. George S. Sumner, Pomona College, spoke on "Changes in Monetary Standards." Earl Newmire and Senator A. M. Thompson spoke on Torrens Title Act. Board of Governors appointed committee with instructions to form a forum. John W. Wilson has consented to lead the meetings.

*Social:* None.

*Special:* None.

## OAKLAND:

*Educational:* Banking class meeting weekly average attendance of seventy. Regular monthly meeting November 23. Received delegation from San Francisco Chapter and listened to John S. Curran on "The American Institute of Banking and Its Effect on the Members." Victor Klinker on "San Francisco Chapter's Big Year and the Cause," and John Clausen on "Timely Observation in Guatemala."

*Social:* Dinner to members of San Francisco Chapter.

*Special:* None.

## SALT LAKE:

*Educational:* Two study meetings held by banking class in addition to two meetings at which lectures were given by professors from University of Utah—Extension Division.

*Social:* Dance given at Commercial Club.

*Special:* Members of chapter guests of staff of Deseret National Bank. Entertained with music and light refreshments.

## SACRAMENTO:

No response.

## SAN FRANCISCO:

*Educational:* Four meetings of law class; average attendance 120. Five meetings of banking class; average attendance 130. English class met five times with average attendance of twenty-five. Spanish class met on four days; average attendance of twenty. Class in accounting met four times with average attendance of twenty-four. Twenty members have formed a public speaking class for nine months' course. On November 10 Paul A. Sinsheimer, Bank Expert of Railroad Commission, addressed about 150 members on "Business Supervision of the Public Utilities of California by the Railroad Commission." On November 24 B. F. Schlesinger, general manager The Emporium, San Francisco, largest department store, spoke to more than 150 members on "The Emporium—Its Policy to the Public—Its Policy to Its Employees."

*Social:* A whist party was given by the House Committee on November 15.



*Special:* Inter-Bank Basket Ball League formed, six teams playing for cup. On November 14 three of our members addressed a meeting of Owl Drug Company store managers, on the subject of "Judging Human Nature from a Banker's Point of View." On November 23 a delegation of members were the guests of Oakland Chapter at dinner and evening meeting. November 17 John Clausen and E. V. Krick appeared before the Alumni of the Polytechnic High School and spoke on "Early Education and Preparation for Life's Vocation." November 2 a party of members were the guests of Home Industry League at luncheon, where our Wm. Marcus, W. T. Pagen and John Clausen talked on "San Francisco Chapter, American Institute of Banking."

#### STOCKTON:

Chapter organizing; study class in banking forming.

### Report of Councilman Nickert

#### PHILADELPHIA:

*Educational:* Philadelphia Chapter began the season with every prospect of a most successful year. Educational work in charge of W. W. Allen, Jr., chairman. The educational course has been divided into four parts, making it practically a four-year course, which may be taken in two years, two evenings a week. This year "Banking A" and "Negotiable Instruments" are being taught. Trust company men are provided with special work part of the term, joining with the "Banking A" class on nights when the subject is applicable to both. Next year "Advanced Banking and Commercial Law" will be taken up. Classes this year largest in our history. Total enrollment, 236. Debate work, public speaking courses are combined this year under one instructor. Interest keen. New men are developing. Enrollment 26. Post-Graduate Committee planning a series of dinner conferences on the subject "International Relationship." Members' nights have been interesting and well attended. Subjects of practical value, such as "Investments, Administration of Trust Estates and Cost Accounting and Analysis" have been taken up so far.

*Social:* The November meeting was known as "Press Night," when the financial editors of the ten daily and evening papers were special guests. H. J. Dreher addressed the meeting on "Institute Development of Bank Men." Educational Director Allen also contributed some straight talk on "How to Get Into the Newspapers." December meeting was an illustrated lecture on "Hunting Big Game in Africa" by Alfred M. Collins of Philadelphia. A male chorus known as the "Aeolian Club of Philadelphia Chapter," composed of about fifty active members, is studying chorus singing. Interest good, results gratifying, and plan a public performance in the late spring.

*Special:* Through the efforts of Wm. A. Nickert, a member of the Executive Council, the Correspondence Chapter work of the Institute has been taken up by the Administration Council of the Pennsylvania Bankers Association, who will actively support its introduction in the state of Pennsylvania to bank men employed by its

members through the state. Incidentally, indications are that a new chapter will be organized at Wilmington, Del., in the near future. Nearly 200 new members have been secured so far this season. Total membership, 1,408.

#### SCRANTON:

*Educational:* Scranton Chapter reports opening of a class in banking with an enrollment of twenty-five, in charge of attorney W. L. Schantz and meeting weekly. Interest well sustained.

*Social:* On November 24 they held a housewarming in their new quarters in the Schlager Building. Good speeches, instrumental music and dancing were added features. This was the first social function ever given by the chapter.

*Special:* With the December number Scranton Chapter starts on what is hoped to be a permanent basis, a live chapter paper known as "Notes of Scranton Chapter."

#### WILKES-BARRE:

*Educational:* Wilkes-Barre is conducting a class in law this season with about fifteen members enrolled.

No social features so far this season.

### Report of Councilman Rattray

#### ALBANY:

*Educational:* Membership, 225. Increase since opening of season, 100. Nearly all bank officers are members. Classes, banking and finance, principles of investment; average attendance, forty to fifty; instructor, Prof. Aaron Sakolski, former professor in Johns Hopkins and New York Universities.

*Social:* None.

*Special:* Open meetings. Addresses on the tariff, (a) scientific, (b) historical. Address on "A Modern Credit Department," with stereopticon illustrations.

#### BUFFALO:

*Educational:* Membership, 150. Over 100 members enrolled in classes. Classes: Banking, Institute study course, enrollment, 90; forum—investments, enrollment, 30; business correspondence, enrollment, 30; debating, enrollment, 10; Spanish, enrollment, 15; elementary banking, enrollment, 20; penmanship, enrollment, 25.

*Social:* Season was opened with an informal dinner.

*Special:* Some members attending lectures arranged by the Credit Men's Association. J. Rattray spoke on "Routine Banking" at one of these meetings. Thrift campaign: School Board has adopted plan for school savings banks. Several addresses on "Thrift" scheduled. One factory visit made and several others arranged.

#### ROCHESTER:

*Educational:* Membership, eighty-four; enrollment in classes, sixty. Classes: Banking—Institute study course; English—business correspondence and debating.

*Social:* None.

*Special:* Two factory visits; very successful. Others will be arranged.

**SYRACUSE:**

*Educational:* Classes: Banking and investments, forum—commercial and industrial geography, public speaking class.

*Social:* Season was opened with a dinner.

*Special:* Thrift campaign planned, but abandoned on account of prohibitive expense.

**UTICA:**

*Educational:* Classes: Elementary and forum; instructor, Prof. F. W. Roman, Syracuse University. Heavy work in the banks has reduced attendance, but the interest of those attending is greater.

*Social:* None.

*Special:* Preparing for debate with Syracuse Chapter for cup donated by Thos. R. Proctor, chairman of the board, Oneida Trust Company. Thrift campaign: Two banks distributed \$500,000 in Christmas thrift checks. Four banks will go in next year. Thrift photo play shown under auspices of a local bank. Adding machine and coin counting contest held.

**NEW YORK:**

*Educational:* The educational work of New York Chapter began on September 28, and students were permitted to register until October 15. The registrations in all required classes is about 650, not including the General and Savings Bank Forums and Post-Graduate Sections. The forums have an attendance of about 100 each. The following schedule was planned for this year's work:

**Preparatory or Elementary Course:**

½ Elementary Economics and Financial History of United States.

½ Elementary Practical Banking.

1 Business English.

(Sessions two evenings each week of two hours each.)

**First Year:**

1 Principles of Economics.

½ Banking.

½ Loans and Credits.

(Sessions two evenings each week of two hours each.)

**Second Year:**

1 Law.

(Session one evening each week of two hours each.)

In several courses our classes are so large, running over 200, that we have initiated a scheme for more efficient handling. We have the instructor lecture to the entire class for one hour, then divide each class into three or four groups for reviewing and quizzing, each group being under a quiz master, who must be an authority on his subject and an accomplished teacher. We organized a class in mental arithmetic for the purpose of brushing up the boys' mental processes and enabling them to cope more readily with such problems as come

up in banking work. We are working up a good debating section with a professional coach as instructor. For informal practice, the section will probably form themselves into a house of representatives.

*Social:* The opening meeting on September 26 was a combined Fall rally and commencement. After addresses by the president of the chapter, a Columbia University professor and a prominent banker, we had an hour's excellent musical program. The attendance was the largest we have had at a Fall meeting, about 1,200. The next social event was a formal dance in November, and we are planning to close our work for this calendar year on December 22 with a general meeting, consisting of one or two talks, a little entertainment and smoker.

**Report of Councilman Rubecamp****CHICAGO:**

*Educational:* In addition to the two standard courses, Chicago Chapter has projected classes in the following subjects: English, effective speaking, elementary and advanced; practical banking and the forum. Total enrollment, 537. The Debating Society is also in full operation and proving popular.

*Social:* The principal speakers at the October and November general meetings were Earl Dean Howard and James I. Ennis respectively. The former spoke on "Industrial Relations" and the latter on "Forgeries and Disputed Handwriting." Social activities have not as yet commenced. A "Ladies' Night" and dance has been planned for January, and the annual banquet will be held February 12, 1917. The bowling team has been scheduled for February 22.

**MINNEAPOLIS:**

*Educational:* All classes are given under the direction of the University of Minnesota. Enrollment, over 100.

*Social:* A general meeting at Dayton's Tea Rooms was held on November 8. O. M. Corwin, of Wells-Dickey Co., vice-president of the Investment Bankers Association, gave a talk on the Federal Farm Loan Act.

*Special:* Little has been done along the lines of the thrift campaign, as notices from the National Organization in this connection are received three or four weeks after the opportunity to use them has passed.

**ST. PAUL:**

*Educational:* The enrollment in the educational classes is 270, an increase of 106 over last year. Part one shows an enrollment of thirty-eight; part two, sixty-three. Interest in the classes has been stimulated by the agreement of St. Paul bankers to refund tuition to all clerks who complete the courses. Steps have been taken to form a public speaking class, a forum and a debating team is being chosen for intercity debates.

*Social:* Social features have so far been represented by the annual theater night, the proceeds of which will be used to defray expenses of the coming "ladies' night."

Monthly meetings are in the form of 6.30 p. m. dinners, program consisting of prominent speakers.

#### MILWAUKEE:

*Educational:* Law classes have an enrollment of eighty-five. Co-operate with Marquette University. Anticipate an unusually large number of graduates.

*Social:* Social features consist of dance held November 16, which proved financially successful.

#### GRAND RAPIDS:

*Educational:* Have a flourishing class in commercial law under Julius Amberg, who recently graduated from Harvard University with the highest honors in his class. The members are very enthusiastic, and while they have a late start, expect to work hard to catch up.

### Report of Councilman Devereaux

#### BALTIMORE:

Reports an enrollment of 102 members in the banking class and an enrollment of fifty members in the accountancy class, which is being conducted by the Pace and Pace School. Membership is steadily increasing and enthusiasm high.

#### RICHMOND:

Class of elementary banking enrollment, 21; average attendance, 18. Banking class enrollment, 29; average attendance, 23. Law class enrollment, 17; average attendance, 16. Public speaking class enrollment, 12; average attendance, 9. Post-graduate class in process of formation. Classes are held weekly. One open meeting a month with addresses by prominent speakers. Membership increased by eighty since beginning of this chapter year.

#### COLUMBIA, S. C.:

Reports a class in banking. One social meeting a month. Attendance small, due to heavy business in all banks.

#### CHARLESTON, S. C.:

Meets weekly with competent instructor in banks and banking.

#### RALEIGH:

Reorganization of chapter on December 12 at banquet. A class in banking, under the able leadership of Dr. T. P. Harrison, Dean of the Agricultural and Mechanical College of North Carolina, has been formed with thirty-five members. Much enthusiasm manifested. Bank officers greatly interested. Success seems assured.

#### WASHINGTON:

Nothing new, except that the membership is now over 500, an increase of nearly 200 since October.

In connection with the Raleigh report, I am firmly convinced, after my visit, that the reorganization of the chapter has been effected under conditions that point to success. Dean Harrison is intensely interested.

### Report of Councilman Kane

#### BOSTON:

*Educational:* Law class; enrollment of 100. Class in elementary economics; enrollment, eighty. Attendance very good and courses seem appreciated.

*Graduate Work:* Study of Federal reserve system. Class leaders taken from members of the staff of the Federal Reserve Bank of Boston. Proving very beneficial.

*Social:* Opening dinner with good speakers. November meeting addressed by two doctors, who were with first Harvard Unit in France. December meeting, a talk on the Massachusetts income tax by Mr. Fisher of Tax Commissioner's Office.

#### PROVIDENCE:

*Educational:* Institute course in banking; enrollment, thirty-three. Course in English and letter writing; enrollment, twenty-four. Plenty of enthusiasm and hope for a very fruitful year.

*Social:* November 2, informal dinner with address by F. M. Howe, cashier of the Federal Reserve Bank of Boston.

*Special:* An addition of twenty-one new members up to December 1.

#### PITTSFIELD:

A small chapter, but taking up Institute course in law with an average attendance of twelve, which is about fifty per cent. of the chapter. They seem to appreciate the value of the Institute, but seem limited to numbers.

#### SPRINGFIELD:

No response to three letters.

#### WATERBURY:

Report a very busy season and have not started as yet, but hope to later.

#### NEW HAVEN:

*Educational:* Banking class, taught by Professor Westerfield of Yale College, with large enrollment and good attendance.

*Social:* Smoker held November 13, with report of National Convention and other addresses.

#### HARTFORD:

*Educational:* Class in banking with enrollment of about 100. Forum class formed to take up present-day problems. Made up of graduates and bank officials. Post-graduate class being formed to take up Institute course in American banking history.

*Social:* Opening dinner in October. Chapter night in November with a talk on "Banks and Insurance Companies as Public Service Corporations," by J. L. Loomis, assistant secretary Connecticut Mutual Life Insurance Company.

*Special:* Some thrift work accomplished. Thirty-five new members added.

## Report of Councilman Cheney

## DES MOINES:

*Educational:* Making satisfactory progress in their study class, confining their work to the study of commercial law. They hold weekly meetings. There are enrolled about fifty members.

*Social:* A monthly dinner at the Northwestern Hotel on November 26, attended by 100. The meeting was addressed by Prof. N. A. Briscoe of Iowa University.

*Special:* Have amended by-laws which now provide for the election of new officers to be held in May.

## KANSAS CITY:

*Educational:* Good progress being made by the banking and finance class, which will be ready for Part 2 about the first of January. The instructor of this class, a well-known attorney, has proven himself especially adapted to this line of work, which has had a marked influence on the attendance, which has been on an average of from seventy-five to eighty each meeting. The graduate class is continuing its study of stocks and bonds as investments, as well as having taken up a study of the income tax law. This class was recently addressed by an officer of the Commerce Trust Company, who has made a particular study of the income tax law, the address proving very beneficial to all concerned. A

class in practical banking for young men who have spent less than one year in the banking business, is being conducted by members of the graduate class. An average attendance of about twenty-five has been maintained. "The boys" are becoming very much interested and it is expected that the efforts of this class will be felt in next year's work.

*Social:* No social features have so far been attempted, but are under consideration immediately following the holidays.

## OMAHA:

*Educational:* Are conducting a weekly class, alternating between the subjects of negotiable instruments and public speaking, with an average attendance of about fifty members. They report that they have rented quarters in the Hotel Loyal for the winter, at which place their meetings are held. Their educational work is in charge of Harry O. Palmer.

## TULSA:

*Educational:* The unfortunate fact of their instructor being called away from the city made it impossible for them to accomplish much during November. They state, however, that he has now returned and beginning December 1 they will take up a systematic study of the law course, conducted by a competent instructor.

## POWER OF SELF-CONFIDENCE

By JAMES A. CAULEY

A trait of large avail to the practical efficiencies of our powers is self-confidence. Of course, I mean a confidence which reason justifies, not that pitiful exaggeration of its self-conceit. Every walk of life has its popinjays—airy, overweening creatures of a balance-wheel so light that their arrogance and sanity were it not for pity would sink them to contempt. Practice, not self-adulation. Empty yourselves of any conceit that the world is dazzled by your abilities, but let your own faith in them be the utmost that reason will approve. It were long to tell the whole advantage this will be. Self-reliance is the pivot point on which achievement turns. The requisite for doing is believing that we can. Doubt cramps energy, enfeebles resolution and casting the shadow of uncertainty on the issue of our toils, discourages exertion. In faith there is perennial inspiration. It

spurs to effort, sustains in the weariness of work, gives heart and hope when the battle seems adverse, and in hours of bewilderment and gloom cheers with the prospect of ultimate emergence into victory and light. Is such faith allowed? Is it not a lesson of the ages that average talent thus inspired has done the world's substantial work? And of those who have carved their way to highest place, is it not in proof that they are pre-eminently men of self-reliance? People say Napoleon trusted in his star. The witness rather is he trusted in his own skill to plan battles and to hurl his legions on the foe. It is in the nature of things, as it is the voice of history, that talent must be wed to confidence to be of much avail.

"What you can do or dream you can, begin it.  
Boldness has genius, power and magic in it."



## STATE BANK SUPERVISION

The Comptroller of the Currency supervises non-national banks and trust companies in the District of Columbia. The heads of the banking departments of the states are designated as follows:

Superintendent of Banks—Alabama, California, Minnesota, Montana, New York, Ohio, Oregon, South Dakota and Tennessee, where the superintendent is appointed from five men chosen by the Tennessee Bankers Association.

State Auditor—Arizona, Illinois, Indiana and Iowa.

Bank Commissioner—Arkansas, Colorado, Connecticut, Idaho, Kansas, Kentucky, Maine, Maryland, Michigan, Missouri, Oklahoma, Pennsylvania, Rhode Island, Utah, Vermont, West Virginia and Wisconsin.

Insurance Commissioner—Delaware.

State Comptroller—Florida.

State Treasurer—Georgia.

Bank Examiner—Louisiana, New Mexico, South Carolina, Washington and Wyoming.

Commissioner of Banking and Insurance—New Jersey and Texas.

Banking Board—Nebraska, three members; composed of Governor, Commissioner of Public Accounts and Attorney General. Nevada, five members, and North Dakota, composed of Governor, Attorney General, Secretary of State and ex officio, President and Secretary North Dakota Bankers Association.

Board of Banking Commissioners—Mississippi, three members and New Hampshire, three members.

State Corporation Commission of three members—North Carolina and Virginia.

It is interesting to note how the state laws vary pertaining to the number of reports required of banks each year and the number of examinations to be made.

The following is a digest of state laws respecting number of reports and examinations required:

At least one report a year in Maine, New Hampshire and Vermont. At least two reports a year in Alabama, Arkansas, Delaware, Florida, New York savings banks, Pennsylvania, Tennessee, Texas, New Hampshire savings banks and Kentucky. At least three reports a year in Ari-

zona, California, Missouri and Washington. At least four reports a year in Georgia, Idaho, Illinois, Iowa, Kansas, Louisiana, Michigan, Minnesota, Nebraska, Nevada, New York state banks and trust companies, North Carolina, Ohio, Oklahoma, South Carolina, Utah, West Virginia and Wyoming. At least five reports a year in Colorado, Connecticut, Indiana, Maryland, Montana, New Jersey, New Mexico, North Dakota, Oregon, Rhode Island, South Dakota and Wisconsin. Banks report at the time of the call of the Comptroller of the Currency for national banks in Mississippi, District of Columbia and Virginia. Massachusetts banks report at the call of the Commissioner of Banking not more than five times a year.

At least one examination a year in Arizona, Arkansas, California, Connecticut, Florida, Illinois, Kentucky, Maine, Maryland, Massachusetts, Missouri, New Hampshire, New York savings banks, North Carolina, South Carolina, Utah savings banks, Virginia and Washington. At least two examinations a year in Alabama, Colorado, Georgia, Idaho, Kansas, Louisiana, Michigan, Minnesota, Mississippi, Montana, Nebraska, Nevada, New Mexico, New York state banks and trust companies, North Dakota, Ohio, Oklahoma, Oregon, Rhode Island, South Dakota, Tennessee, Utah state banks, Vermont, West Virginia and Wyoming. Texas banks are examined four times a year as provided by law. Whenever it is expedient and necessary examinations are made of the banks in Delaware, Indiana, Iowa, New Jersey and Pennsylvania.

The cost of examination and supervision is as follows:

ALABAMA—Fees based on capital \$25,000 or less, \$25; to capital of over \$500,000, \$335.

ARIZONA—Fees based on capital \$25,000 or less, \$30; to capital of \$50,000 or more, \$40.

ARKANSAS—Each bank pays \$15 and fifty cents on each \$1,000 of capital, surplus and undivided profits.

CALIFORNIA—Each bank pays its share of \$87,500 expenses, based on capital and surplus.

COLORADO—Fee based on resources. Vary from \$25 for each examination for \$100,000, or less, to \$90 per 3 cents per \$1,000 in excess thereof for \$1,000,000 or over.

CONNECTICUT—Take average of preceding year and apportion expense accordingly.

**DELAWARE**—Savings banks uniformly \$50 each. Other banks from \$20 for less than \$100,000 capital to \$75 for \$500,000 capital and over.

**DISTRICT OF COLUMBIA**—Fees same as national banks under section 5240 of the National Bank Act (Revised Statutes) Discretionary charge by Comptroller of Currency.

**FLORIDA**—Fees based on capital, ranging from \$15 for from \$25,000 to \$50,000 to \$75 for \$500,000 or over.

**GEORGIA**—Fees based on capital vary from \$12.50 for up to \$25,000 to \$125 for \$500,000 or over.

**IDAHO**—Base fees in two ways on capital, surplus and undivided profits and on total assets. The former ranging from \$12.50 for \$10,000 to \$25,000 to \$45 for \$500,000 and upward; the latter ranging from \$12.50 for under \$50,000 to \$60 for over \$3,000,000.

**ILLINOIS**—Bank pays examiners \$10 per day and mileage.

**INDIANA**—Fees based on assets. Vary from \$15 for less than \$100,000 to, for, above \$1,000,000, \$35, plus \$2 additional for each \$100,000 or fraction thereof until assets reach \$3,000,000, when \$1 additional for each \$100,000 in excess.

**IOWA**—Fees: paid up capital of not over \$25,000, \$15; \$25,000 to \$50,000, \$25; \$50,000 to \$100,000, \$35; \$100,000 to \$150,000, \$40; over \$150,000, \$50.

**KANSAS**—Fees based on loans outstanding, not over \$75,000, \$15; up to over \$600,000, \$75.

**KENTUCKY**—Fees for examinations based on capital and surplus, \$20,000 or less, \$15; \$20,000 to \$50,000, \$20; \$50,000 to \$100,000, \$35; in excess of \$100,000, \$10 for each \$100,000 or fraction thereof.

**LOUISIANA**—Fees based on gross assets and range from \$15 for not over \$50,000 to \$500 for over \$30,000,000.

**MARYLAND**—Fees based on assets range from \$20 for \$50,000 or less to \$400 for over \$40,000,000.

**MICHIGAN**—Fees one-hundredth of one per cent. of gross assets, with a minimum of \$25; payment for not over one year required.

**MISSISSIPPI**—Fees one-fortieth of one per cent. of total assets.

**MISSOURI**—Fees based on capital. Shall not exceed from \$15 for capital and surplus of \$12,500 or less up to \$900 for capital and surplus exceeding \$4,000,000.

**MONTANA**—Fees formerly paid to examiners fund are now payable to state banking fund.

**NEVADA**—Fees based on capital; vary from \$100 for \$25,000 or less to \$500 for \$500,000 or more.

**NEBRASKA**—Fees for each examination of banks range from \$15 for \$15,000 capital or less up to \$50 for \$150,000 or more. Pay not over two fees a year. Fees for trust companies \$25 for assets of \$100,000 or less, and \$5 additional for each \$100,000 over and above \$100,000.

**NEW JERSEY**—Fees \$20 for filing reports, and in addition actual expenses incurred in making examination.

**NEW MEXICO**—Fees based on capital and surplus and range from \$25 for up to \$50,000 to \$60 for \$250,000 or more.

**NEW YORK**—Actual cost of examination must be paid.

Based upon what superintendent deems reasonable.

**NORTH CAROLINA**—Fees based on capital from \$15 under \$25,000 to \$30 for capital of over \$50,000. Payment for only one a year.

**NORTH DAKOTA**—Fees \$10, plus one and one-half hundredths of one per cent. on gross assets.

**OKLAHOMA**—Fees range from \$15 for less than \$15,000 capital to \$35 for over \$50,000.

**OREGON**—Fees based on capital and surplus and range from \$17.50 for \$20,000 and under to \$250 for over \$1,500,000, and in addition 1/200 of one per cent. of undivided profits and total deposits, excepting balances due other banks, savings deposits and deposits of public funds.

**PENNSYLVANIA**—Fees \$25, plus \$5 for each \$100,000 or fraction thereof in excess of \$100,000 capital stock. Two cents for each \$1,000 of assets and two cents for each \$1,000 of trust funds. Mutual savings banks pay fees amounting to \$25, plus \$1 for each \$100,000 of assets or fraction thereof in excess of \$100,000.

**SOUTH CAROLINA**—Fees based on capital, and range from \$50 for \$100,000 or over to \$20 for under \$20,000. Payment required for only one examination a year.

**SOUTH DAKOTA**—Fees one-hundredth of one per cent. of gross assets, minimum fee \$10, plus twenty cents for each mile distant from a railroad.

**TENNESSEE**—Fees based on capital, surplus and undivided profits from \$10 for up to \$10,000 to \$500 for over \$1,000,000. Each branch pays \$20 additional.

**TEXAS**—Fees based on capital and surplus. Vary from not over \$12.50 for \$10,000 capital and surplus up to \$300 for over \$4,000,000.

**UTAH**—Fees range from \$20 for \$100,000 aggregate assets or less to \$200 for more than \$25,000,000.

**VERMONT**—Expenses of department apportioned among institutions examined in proportion to amount of taxes.

**VIRGINIA**—Fees based on total resources, range from \$20 for \$50,000 or less to \$155 for more than \$900,000. When balance in department is over \$7,500, excess over \$3,000 shall be refunded to banks in proportion to fees paid.

**WASHINGTON**—Fees \$25, plus 1/200 of one per cent. on all deposits; maximum is \$200.

**WEST VIRGINIA**—Fees based on total assets, range from \$15 for less than \$150,000 to \$35 for \$1,000,000 or over.

**WISCONSIN**—Fees based on assets vary from \$20 for under \$100,000 to \$75 for \$1,000,000 or over, plus \$25 for each additional \$1,000,000 or fraction thereof.

The foregoing evidences the independence of the states of the Union. Obviously each state figured out its own method of charging fees. The examination charges of the New England states and Ohio banking departments are paid by the bank according to actual cost.

M. W. H.

# The Commercial and Financial Possibilities of Guatemala

By JOHN CLAUSEN

Manager, Foreign Department, Crocker National Bank of San Francisco.

**Its National Debts, External and Internal—Its Currency, Natural Resources and Possibilities for Development—Greatest Need is for Capital.**

*(Mr. Clausen served on the committee visiting Central America as an outcome of the recent Pan-American Financial Conference. He was appointed on the permanent "Group Committee for the Republic of Guatemala.")*

**T**HERE is the greatest possible desire throughout the country that our foreign trade be fostered in every direction and the present affords a most favorable opportunity in that respect, with the reasonable certainty that trade in an unprecedented manner can be promoted provided proper and wise application is exercised. The more we increase our trade the greater will be the prosperity of our country.

Latin America offers promising markets toward opening fresh fields for commercial expansion on account of its rich natural resources. Never since our sister republics severed the political ties that bound them to their motherland has there been such an opportunity for the American people to widen the scope of their financial and commercial dealings with that part of the new world.

The present commercial and financial inactivity of the republics to the south, brought about by the gradual retirement of available capital—so readily secured in former years from Great Britain, Germany and France—has proved a serious matter to these friends, whose ability for development of their natural resources is so vital to the national prosperity.

Central America forms a separate unit and comprises the five republics lying between Mexico and Panama, viz: Guatemala, Salvador, Honduras, Nicaragua, and Costa Rica, with a combined area of 174,000 square miles and a population of about 5,500,000 inhabitants.

The Republic of Guatemala, situated east of Mexico, covers an area of about 50,000 square miles, with an estimated population of 2,120,000

inhabitants—the largest of any Central American country—of which 125,000 reside in the capital, Guatemala City. The name "Guatemala" is probably of Aztec origin and is said to mean "Land of the Eagle." The bulk of its people are located in that half of the republic bordering on the Pacific, with few settlements on the north or on the Atlantic side. Its mountain ranges, with very little exception, give the country an elevation of from 4,000 to 11,500 feet. The Pacific slope is very fertile and produces large crops of coffee, corn and sugar; while on the Atlantic side there is found very little agricultural wealth except from the cultivation of bananas in the lowlands and near the coast. The production of coffee, however, is the principal money crop of the country—moved largely upon funds that have been advanced for that purpose—and to its marketing, therefore, depends much of the prosperity of the republic.

It is one of the most beautiful countries in Central America, with riches incalculable. Close observers, travelers and investors have been so impressed with its great potential richness as to prompt the unique saying, "If you tickle the ground with a hoe it smiles back with a yam."

The guiding force of Guatemala is its President, Manuel Estrada Cabrera, who was born in Quezaltengo, Guatemala, November 21, 1857, succeeding General Reina Barrios during the tragic events of February, 1898. He was later elected Constitutional Chief Executive of Guatemala on October 20, 1898, since which date that masterly hand has guided the republic through peaceful years to the shores of prosperity.

Guatemala has a good system of primary education, supported by the government with some 200 public schools and a university for the study of liberal professions. It is of interest here to make mention that English is compulsory and proficiency in that language is recognized as a prerequisite in the degree of Bachelor of Arts.

According to the report of the Secretary of Finance of the Government of Guatemala, made

under date of April 14, 1915, its debt amounted to \$13,304,759.79 U. S. gold, made up as below:

English debt.....	\$11,785,314.39
Internal debt.....	1,519,445.40

Their external obligation consists of what is called the English debt of four per cent. which was not contracted by the present administration but dates back from the time when all Central America was one Federation of Republics; or in other words, since the independence of Guatemala which was established in the year 1821.

Upon the breaking up of the Federation three-fourths of this obligation fell on Guatemala, while the remainder was allotted to the other four republics. Subsequent administrations increased the debt by additional loans and delinquent interest, until it reached the aforementioned figure. No new foreign loans have been contracted by the present government, although it is learned that negotiations have recently been opened toward the placing of an additional \$3,000,000 U. S. gold for municipal improvements in the City of Guatemala.

Only during the last few years has Guatemala effected a material settlement with its English creditors in resuming payment of interest and it may be pertinent to give the particulars of that debt, as also other obligations which the government has contracted.

The decree of August 27, 1895, recognized the following:

Indebtedness of.....	£1,600,000.
Amortization payment .....	117,200.
Debt remaining on June 30, 1898.....	£1,482,800.
To which was added interest in default from Dec. 30, 1898, to June 30, 1899, at four per cent.....	29,660.

Bringing a total of.....	£1,512,460.
To which is added interest in default on £1,482,800. from July 1, 1899, to June 30, 1913, i. e. 13 years at four per cent.....	£830,368.
Also interest in default on £29,660 from July 1, 1901, to June 30, 1913, i. e. 12 years at four per cent.....	14,234. 17. 7

Showing a total indebtedness at present of.....£ 2,357,062. 17. 7

The floating or internal debt comprises:

First: "Bonos del Ferrocarril del Norte"—Bonds of the Northern Railway. In circulation to March 17, 1906, and

Second: Internal Debt—In circulation to April 8, 1910.

Ferrocarril del Norte:	
Bonds in circulation.....	\$2,513,900.00
Interest in default to Dec. 31, 1914 .....	2,483,091.00

Total debt, expressed in Guatemalan paper money..... \$4,996,991.00

Internal Debt:	
Bonds in circulation.....	\$3,667,000.00
Fractional bonds issued.....	7,286.08
Interest in default.....	7,174,053.00

Total debt, expressed in Guatemalan paper money..... \$10,848,339.08

The report also shows the open obligation of the "Ferrocarril Central"—Central Railways of Guatemala—and this account appears made up as follows:

Principal .....	\$296,703.00
Interest at six per cent., from September 15, 1898 to December 31, 1914 .....	288,096.60

Total debt, expressed in U. S. gold .....

Recapitulation of obligations converted into United States gold dollars:	
English debt £2,357,062. 17. 7.....	\$11,785,314.39
Internal debt \$15,845,330.08 G/M..	934,645.80
Internal gold debt.....	584,799.60

Total debt, expressed in U. S. gold .....

To this latter amount may be added an obligation of \$117,853,635.29 Guatemalan paper money, which appears to be owing the banks of issue for advances, which while an obligation, can readily be liquidated when considering that at prevailing rates of exchange it takes but five cents United States currency to purchase one peso of Guatemalan paper money.

The services of the English debt require only \$300,000 U. S. gold annually for interest, which are conveniently cared for as the republic has a favorable trade balance of approximately \$3,500,000 U. S. gold and a net internal revenue of \$1,000,000 to \$2,000,000 U. S. gold. In naming these figures, however, it must necessarily be taken into consideration that the European war, together with prevailing inadequate transportation facilities will tend to decrease the government revenues, as also customs taxes which, as has been stated, represent the larger portion of their income. The internal indebtedness which amounts to approximately \$8,000,000 U. S. gold has been found dif-



ficult to liquidate with the result of constantly increasing the obligation by delinquent interest payments.

The English loan, however, in spite of the expenditure of large sums on public works and charitable institutions of the country, has received its interest in advance and this feature is being very favorably commented upon by British capitalists. These bonds have been quoted during the greater part of the year at forty to forty-one, netting the holders nearly ten per cent per annum.

Unlike many other Latin American republics, the municipalities of Guatemala have no bonded indebtedness and their temporary advances from local banks are automatically repaid from taxation. With the promulgation of a decree, the government entered into an agreement with the banks to provide for mutual obligations, giving the country a medium of circulation in paper money—guaranteed by the banks and in a measure by the government alike. This currency has for many years been on a depreciated basis, inconvertible on account of no specie upholding its value, and it is estimated that the total amount outstanding at the present time is approximately 100,000,000 pesos, the further issue of which, however, is being discouraged and may tend in this way to maintain a rating without too wide a range of valuation.

While the external transactions of Guatemala are liquidated in gold and the duties in part imposed on that basis, the actual currency of the country consists of notes—theoretically payable in silver but not so redeemed—issued by the following six banks: Banco Internacional de Guatemala, Banco Colombiano, Banco de Guatemala, Banco Agrícola Hipotecario, Banco Americano de Guatemala, Banco de Occidente. Authorities affirm that it would take approximately \$12,000,000 in gold to place and maintain the country on a gold basis.

Supply and demand alone regulate not only the value of the currency but also the rate of exchanges. What chances there may be for converting the paper money now in circulation into specie bills depends wholly upon the desire of the government to effect a suitable currency reform.

Among the measures taken to meet these economic difficulties stands the decree of recent date which authorizes the coinage and circulation of \$2,000,000 G/M in copper coins of twenty-five and twelve and one-half centavos to stabilize the

medium of circulation and facilitate business transactions. To prevent these coins from being shipped out of the country—as has been the case with former metal coinage—a restrictive measure has been placed in effect prohibiting the export of copper, aluminum, zinc and other alloys.

The fiscal requirements in providing for good government in the republic and economic developments on the other hand, encourage the belief that if instead of gold the silver standard be adopted, Guatemala's interest would be better served, although the rise and fall in value of the white metal may create uncertain consequences, and for one reason or another the necessity of changing the monetary system has not heretofore made itself vitally felt with the government. Inconvertible paper money may even enlist energetic supporters, especially among coffee growers and producers in general who find it profitable to pay their laborers in paper money and receive gold for their exports.

In the face of these arguments, however, we must not lose sight of the fact that many disadvantages which result from the depreciated paper peso necessarily affect Guatemala in its foreign commerce as in domestic transactions, by making dearer all articles of consumption and so encouraging the importation of poorer grades of food and necessities of life. This likewise applies to the importation of machinery necessary in agriculture and other industries and in no small measure to the increased burden of the taxpayer to pay for the government purchases and services in foreign countries which are made in the equivalent of gold.

It must be remembered that in reforms of a monetary character the exchange depends on the balance of trade rather than the economic balance. Relation of gold and silver with inconvertible paper money cannot always be arranged by legislative act.

Guatemala has only one means of going over to a gold or silver standard and that is to cultivate its own industries, extending principally its agricultural development. This cannot be the work of a day. Other nations were years and years accomplishing this end.

A change to a metal standard would undoubtedly prove of great benefit to commerce. On the other hand agriculture might suffer thereby and it may perhaps be wiser to establish a system

where the paper peso would be given the value of fifty cents gold guaranteed by the commensurate deposit of like metal, which would no doubt lend stability to foreign exchanges as well.

There is said to be about \$750,000 in United States gold in the republic and approximately 100 to 110 million pesos of Guatemalan paper money in circulation.

A few observations may not be amiss in relation to government finances and the figures to follow may prove convincing in that respect:

The yield of the public revenue in 1915 was \$85,007,704.74 G/P pesos, as against \$82,399,924.55 G/P pesos in 1914.

The public expenditures for 1915 were \$67,841,283.64 G/P pesos, which exceeded the amount estimated by \$7,778,643.65 G/P pesos.

The total value of trade in 1915 was \$16,639,061.99 gold as against \$22,085,141.48 gold in 1914. On the other hand between the imports amounting to \$5,072,473.03 gold and exports aggregating \$11,566,585.96 gold, there was left a favorable trade balance for Guatemala of \$6,494,109.93 gold.

Two causes especially affect Central American trade and finance: The loss of the usual markets in Europe and the inadequacy of transportation facilities. The Republic of Guatemala in particular lost its normal outlet for coffee, the largest of its export commodities.

A very cordial feeling has been developed in Guatemala toward the United States and while a good portion of their imports originate in this country, a much larger percentage of business transactions should be exploited as a result of the favorable opportunities at present. To make our appeals forcible it becomes necessary to invest more capital in the republic, to extend more liberal credits, to improve banking facilities for export trade and to make more direct and personal efforts in their markets. At present they need financial assistance and shipping facilities perhaps more than any other Latin American country. It is essential for the maintenance of the foreign purchasing power of Guatemala to lend help in developing and marketing its products abroad.

The comparative tables which follow show the importance of our trade relations with that republic:

#### Exports from Guatemala to—

Germany .....	\$5,412,580.30
United States.....	4,874,379.19
England .....	1,476,706.48
France .....	34,185.75

\$11,797,841.72

Other countries..... 956,184.89

\$12,754,026.61 U. S. gold

#### Exportation through—

Puerto Barrios.....	\$5,219,870.13
Champerico .....	2,881,069.08
San Jose .....	2,259,441.82
All other ports.....	2,393,645.58

\$12,754,026.61 U. S. gold

The great rise in freights has materially hampered exports and to consider only the rates on coffee from the Pacific coast it may be stated that they increased from \$23.75 to \$50 per ton, while the enhancement on the Atlantic coast was even heavier.

The charges levied on imported goods other than customs duties in Guatemala are negligible in comparison with the supplementary fees imposed in other Latin American countries.

#### Imports into Guatemala from—

United States .....	\$4,879,200.04
Germany .....	1,842,738.04
England .....	1,389,645.00
France .....	317,631.11
Japan and China.....	221,462.55

\$8,650,676.74

Other countries..... 680,438.13

\$9,331,114.87 U. S. gold

#### Importations through—

Puerto Barrios.....	\$5,392,207.64
San Jose .....	980,010.40
Champerico .....	690,600.28
Other ports .....	286,024.78

\$7,348,843.10

Import duties ..... 1,982,271.77 |

\$9,331,114.87 U. S. gold

Reciprocity with any country bears but little weight unless it is supported by an efficient transportation system. Today ships are the real masters of foreign trade and contribute most powerfully to the progress and prosperity of a country, which point cannot be too strongly emphasized.

On January 19, 1908, the first locomotive from the Atlantic shore reached the capital of Guatemala, since which date rail transportation has steadily advanced with the result that there

are at present about 500 miles of railway in the republic. The system includes a transcontinental line from San Jose on the Pacific coast to Puerto Barrios on the Atlantic, considered the best built railway of any of the Central American lines, with the possible exception of the Panama Railway. The Atlantic side of the republic is webbed with 200 miles of rail, 270 on the Pacific side, and thirty for the interior.

These roads are practically all owned by American interests and represent in a measure the only investment in that republic of North American capital. German and English investments predominate in all other undertakings, principally that of coffee-growing.

To develop mining, the government has granted the privilege of free duty on machinery and other implements necessary for the exploitation of that industry. Ores of iron, lead, zinc, silver, lignite of very good quality, sulphur and rock salt are found in abundance. Prospecting for petroleum has recently been undertaken and the opinion exists that the search will be successful. The greatest obstacle, however, to a rapid progress of these enterprises is adequate capital to exploit the vast mineral deposits.

Grazing has also had considerable development, but there is little outgo of meat products, most of the cattle being consumed in the country with only the hides for export. There is much talk at present of developments in cattle raising and the government seems disposed to lend assistance to any proper venture of this kind.

It seems easier for the Central American to live on the products of his own country than for most other people. This is particularly true of Guatemala, which is primarily an agricultural country with comparatively little manufacturing and scarcity of capital for its development. The efforts now being made to bring these people nearer to us, to understand more completely their respective points of view, their history, their literature and to break down the barrier of language which heretofore has separated us in many ways, deserves the highest support.

On the other hand if our friends in Central America hope to secure from American bankers credit facilities to the extent that they believe their trade justifies, they must be equally willing to conform their opinions to new ideas and enthusiastically work for common progress and development.

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## THREE OF A KIND

At a recent meeting of the board of directors of the First National Bank of Philadelphia, Freas B. Snyder and Harry J. Haas were elected vice-presidents. Carl H. Chaffee was appointed an assistant cashier.

All three of the gentlemen thus promoted are graduates of the Institute. They are among the best young bankers in the United States. They do not act as if they knew it, however—but President Law acts as if he knew it.

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## SMALL CHANGE

The Federal Reserve Board estimates that \$1,931,000,000 in foreign securities are held in the United States. This amount is made up as follows: Europe, \$1,627,000,000; British America, \$212,000,000; Latin America, \$88,000,000; China, \$4,000,000.

Up to October 1 United States exports of war materials amounted to \$1,617,845,000. War exports for the first nine months of last year amounted to more than twenty-five per cent. of all exports.

The value of merchandise carried in United States bottoms increased for the nine months ending in September amounted to \$451,257,000 as compared with \$256,333,000 for the same period of 1915. The increase is about seventy-six per cent.

Canada's total trade, exclusive of coin and bullion, for the twelve months ending with September amounted to \$1,738,000,000. This is an increase of \$803,204,000 over the total of the corresponding twelve months of 1915 and of \$737,140,000 for the same period in 1914.

## THE TRADE ACCEPTANCE IN PRACTICE

By IRVING S. METZLER, Assistant Cashier Bank of Italy, Los Angeles, Cal.

A TRADE acceptance, under the definition of the Federal Reserve Board, is nothing more than an ordinary bill of exchange "drawn by the seller upon the purchaser of goods sold and accepted by such purchaser." Under the laws of this state a trade acceptance is a negotiable instrument. The effect of the acceptance is to constitute the acceptor or purchaser the principal debtor. The status of the drawer or seller is the same as the indorser of a promissory note.

The trade acceptance is not a new thing. It has been used in this country to a limited extent, although the open account system is the more popular. In England the trade acceptance has grown to be the greatest liquid credit factor. In France the acceptance is in use for as small a sum as five francs. In Germany the *wechsel*, or trade acceptance, changes hands almost like currency.

Besides forming the basis for an elastic currency, the trade acceptance represents a more liquid reserve for banks; for being two-name paper, it has greater certainty of payment when due and if desired can easily be re-discounted in the Federal reserve bank or in the open market; and being in greater demand, it can be easily transferred from places where it is less needed to places where it is more needed, such as for example, in the crop moving period. It is therefore evident that the trade acceptance is desirable for the banker, because it represents a more liquid reserve and forms the basis for a more elastic currency system.

I recently had occasion to put the trade acceptance idea into practice. A gentleman came here from New York City to go into the business of manufacturing ladies' garments. He had a limited amount of cash and a note for \$1,000, which we discounted. We granted him in addition a loan of \$1,000. It was not long before his business had grown to such an extent that he required more money. We granted him an additional thousand, but that, apparently, was not enough, for he requested more credit, which was refused, because he was trying to do too large a volume of business on his limited capital. He then began to figure on the length of time that it took for his checks to go to New York and return, with the result that one

day checks were presented, which, if paid, would have overdrawn his account nearly \$1,000.

We were confronted with the proposition of returning his checks and injuring his credit or loaning him another \$1,000. We loaned him another thousand, but with the distinct understanding that he would bring us trade acceptances to take up his entire indebtedness. This he did. We later gave him additional credit, all, however, represented by acceptances.

Today that manufacturer is prospering, meeting his bills promptly, and with a substantial balance in the bank; whereas, if it had not been for the use of the trade acceptance, he would have undoubtedly been by this time in the hands of the Board of Trade, listed as another failure, due to insufficient capital.

Among the acceptances which we at first received from this manufacturer were some that did not represent sufficient strength to make them desirable, and from one party in particular, when the acceptances became due extensions were requested. We later refused to take the acceptances of this slow buyer and the manufacturer curtailed his sales in that direction. This slow buyer later made an assignment. On account of our having cautioned our manufacturer his loss was very small. Under the open account system we would not have had the knowledge to have permitted us to utter this caution; whereas under the trade acceptance system we saved him from a considerable loss.

This manufacturer had another customer whose acceptances we agreed to take up to the sum of \$500. All the acceptances taken from this customer were promptly paid when due. Further investigation developed the fact that the expense account was small and the turn-over large. We therefore agreed to take acceptances of this party from our manufacturer up to the sum of \$1,000. In this case the trade acceptance had helped the credit of the acceptor.

As the trade acceptance provides for a definite payment at a definite time, it eliminates some of the worst abuses of the open account system, such as the taking of unearned discounts, unjust offsets and secret assignment of accounts, and being more



desirable than one-name paper, it commands a lower rate of interest.

The chief reason that a buyer has for not accepting is that he feels that his credit may be injured by having his paper bought and sold. But a trade acceptance is not a note representing the borrowing of money; it is a simple trade trans-

action, acknowledging the purchase of goods and the buyer who accepts and meets his obligations promptly when due improves and develops his credit. If it is, therefore, better for the seller and better for the buyer, it means that business will be done cheaper, and thus will reduce the high cost of living.

### FORM OF TRADE ACCEPTANCE USED BY A NEW YORK FIRM

#### TRADE ACCEPTANCE.

<b>W. &amp; J. SLOANE</b> <small>Incorporated</small>	<b>No. 323</b>	<b>New York, N. Y.,</b>	<b>191</b>	<b>\$</b>
	<b>After</b>			
	<b>pay to the order of OURSELVES</b>			
	<b>Dollars.</b>			
	<b>The obligation of the acceptor hereof arises out of the purchase of goods from the drawer.</b>			
<b>To</b>		<b>W. &amp; J. SLOANE</b>		
<b>Due</b>		<b>Director.</b>		
<b>191</b>		<b>DATE</b>		
<b>ACCEPTED.</b>		<b>PAYABLE AT</b>		
<b>LOCATION OF B.</b>		<b>SIGNATURE</b>		

DETACH AFTER SIGNING.

#### A TRADE ACCEPTANCE

Is an acknowledgment of a debt by the buyer in favor of the seller, for merchandise that the seller has placed in the hands of the buyer with which to pay this debt. The buyer agrees to pay at a certain date, at his own Bank, to the seller, the amount of this certain indebtedness by writing across the Face thereof, "Accepted", the date, and name of his own bank and his signature thereon.

This varies from the open book account method only in giving the debt a negotiable value.

According to a FEDERAL BANK GOVERNOR'S OPINION, the signing of an Acceptance increases the financial standing of the giver, because it shows prompt paying methods.

Kindly sign attached Acceptance, then forward to W. & J. Sloane, Fifth Ave. and 47th St., New York.

### PROPOSED MONETARY REFORM IN ARGENTINA

It has been reported through consular channels that monetary reform in Argentina is practically assured. A project for the reformation of Argentina's monetary system has been proposed to the congress of that country. It is believed that owing to the many kinds of currency in cir-

culation in Argentina and the desire to stabilize the currency system the plan will be given more than formal reception. The scheme involves the retirement of the fiduciary currency now in use and the substitution therefor of notes to be issued by the Caja de Conversion against a gold reserve.

## ANNUITIES

By H. H. PENNOCK

It is well known that in England and the continental countries of Europe annuities have for generations been looked upon favorably by small as well as large investors. Not only do life insurance companies in these countries conduct a large business in annuities, but the respective governments have entered the field. In America, however, annuities are but little known and outside of insurance circles not generally understood. Our insurance companies are rapidly educating the public, nevertheless, by encouraging the payment of insurance policies not in a lump sum, but in the form of a life income, especially as it is claimed that the proceeds of policies paid to widows last, on the average, less than eight years.

In the experience of American companies, annuitants have been known to show a lower rate of mortality than have insured persons. No man or woman who is ill, or conscious of a physical impairment which would tend to shorten life, applies for an annuity; and the certain knowledge of an income for life precludes worry and consequently is conducive to longevity. The examining physician of one of the leading American life insurance companies says:

"An annuity is the best elixir of life I know of. It sometimes seems as if annuitants never die. We have lots on our books who top eighty, ninety and even ninety-five years. Release an old man by means of an annuity from worry and he throws off his years and walks erect and happy and fearlessly young."

There is vastly more truth than poetry in the following lines from Byron's famous poem, "The Annuitant":

"Tis said that persons living on annuities  
Are longer lived than others, God knows why,  
Unless to plague the grantors—yet so true it is  
That some, I really think, do never die."

There are many men and women advanced in years whose sole dependence is on a small invested capital, yielding an income altogether inadequate for their comfortable support. By reinvesting this capital in a life annuity, such persons can make comfortable and permanent provision for the future, thus securing a liberal income for a definite amount guaranteed for life. Take the case of a woman sixty-five years of age, who is wholly de-

pendent on a capital of \$15,000 invested in gilt-edge four per cent. railroad bonds. Her total income is only \$600 a year. If these bonds were converted into cash and the money used to purchase a life annuity, an annual income *for life* of about \$1,400 may be secured. A man of the same age similarly situated can for the same amount of capital secure an annuity of about \$1,540.

### Variety of Annuity Forms

There are many forms of annuities, each intended to meet a specific requirement and adapted to the peculiar circumstances of the individual investor.

**THE LIFE ANNUITY.**—The life annuity is obtainable by the payment down of a round sum of money, in consideration of which a return is made to the annuitant quarterly, semi-annually or annually, as may be desired, beginning three months, six months or one year from the date of purchase and continuing for life.

**THE DEFERRED ANNUITY.**—The deferred annuity is purchased either by a single sum payment or by annual payments for a given period of years, such as five, ten, fifteen, twenty, or more, the annuity beginning at the end of the deferred period and continuing thereafter for life.

**TWO-LIFE ANNUITY.**—A two-life annuity, as its name implies, is based on the continuance of two lives. The annuity continues during the lifetime of both annuitants and during the lifetime of the survivor. It is obtained by a single sum payment, as in the case of a regular life annuity.

**THE REFUND ANNUITY.**—One of the latest forms is known as "Refund Annuity." Under this form the return may be more, but cannot be less than the amount of the capital invested; that is to say, the company pays the annuity during the lifetime of the annuitant and in addition, guarantees that if at his death the sum of the annuities paid does not equal the amount of the capital invested, the annuity payments will be continued to a designated beneficiary (or a lump sum paid in cash), so that the return will at least equal the purchase price.

### Safe Investment

Men of affairs are constantly asked to advise women how to invest money, and hesitate to assume

the responsibility. Low-yielding investments are not attractive to women. As a result, these investors frequently act on their own judgment, put money into investments promising large returns and in many cases lose everything. By suggesting an annuity, there is no danger of loss; the investor is safeguarded for life.

In conjunction with the thrift movement which has spread over the entire country this year, banks and trust companies have urged the opening of savings accounts as a means of meeting life insurance premiums. This agitation has met with marked success, a large number of banks even advertising the plan in the daily press. Carrying this thought a step further, bankers may very properly urge their clients, particularly women, to invest in annuities, especially where the investor is without dependents, and is advanced in years.

#### Two Interesting Examples

In 1880, Mrs. Betsy Gage, of Brooklyn, N. Y., bought an annuity from a leading New York Company. In 1886, she bought a second annuity. Mrs. Gage died in 1908, shortly after celebrating her one hundredth birthday—twenty-eight years after her first transaction. The total amount paid by her to the company was \$3,300. The aggregate received by her from the company was \$12,197.30. Thus, for an outlay of \$3,300 she realized more than \$12,000. If, in 1880, she had invested her \$3,300 at five per cent. in the ordinary way, it would have yielded her an annual income of only \$165 or a total for the entire period of only \$4,620.

An Irishman aged 63 had saved \$22,000 which he had invested in government bonds, yielding about \$880 a year. He was living with kinsfolk to whom he paid board. He was induced to take an annuity because of its larger return. "Formerly," as he quaintly put it, "I never got a thankee from anybody, because I could never do anything for anybody; but now, with my larger income which I shall receive from my annuity, I can pay my board, help educate two of my grand-nieces, and feel that I am doing some good while I am still alive." Then, with a smile he added, "Of course, although my kinsfolk didn't want me to die, still they were looking forward to getting my \$22,000—and how long do you suppose they will keep me alive when they know that when I die they will get nothing?"

#### Income Yielded by Annuities

In general it may be stated that a man 60 years old, who invests in a life annuity, will receive an income for life of over eight and one-half per cent. per annum. At age 65 the income would be at the rate of ten and one-quarter per cent.; at age seventy nearly twelve and one-half, and at age seventy-five, nearly fifteen and one-half per cent. A similar annuity on the life of a woman would result as follows:

The income at age 60 would be nearly.....	8%
" " " " 65 " " " " .....	9½%
" " " " 70 " " " " .....	11½%
" " " " 75 " " " " .....	18¼%

## NORWEGIAN-AMERICAN BANK FOR NEW YORK

The Norwegian newspaper *Tidens Tegn* announces the formation of a Norwegian American Bank in New York, according to reports coming from Christiania. The announcement says that an opportunity will be given shipowners, exporters

and importers having interests in North America as well as Norwegian bankers to participate. Participating banks will guarantee the capital, a considerable portion of which is to be set aside for Scandinavian circles in North America.

## RECONSTRUCTION OF SPAIN'S FINANCIAL SYSTEM

In addition to authorization given the Minister of Finance of Spain to withdraw the proposed budget for 1917 and substitute a new one, authorization is granted for the introduction of bills to

reconstruct the national financial system, such as to modify and extend the privileges of the Bank of Spain; to create a national agricultural bank and a Spanish bank of foreign commerce.

# INSTITUTE CHAPTERGRAMS

**A** PRACTICAL WAY of teaching fundamental business conditions is being undertaken by San Francisco Chapter. On December 8 Charles F. Newsom, divisional commercial agent of the Western Union Telegraph Co., spoke on the Western Union Telegraph Co., its history and plan of organization into specialized departments; influence of the company as a business agency and its employee welfare work through a million-dollar fund provided for sickness, accidents, vacations, pensions and deaths. On December 22 George Rolph, general manager of the California & Hawaiian Sugar Refining Co., spoke on the sugar industry in general and the business of the California & Hawaiian Sugar Refining Co. in particular. Motion pictures of the company's plant at Crockett, California, illustrated the lecture. These lectures offer those who attend an opportunity to learn what the experience of others has to teach and when availed of will lessen in a large degree the amount of time wasted. It has been the aim of the Educational Committee, San Francisco Chapter, to make for the young men of the banks of this city, who desire it, an educational center of the chapter. In addition to the technical courses provided, such as Banking and Finance, Commercial Law, Accounting, English, French and Spanish, a course of lectures in Business Administration was planned early in the year. These lectures are given twice a month on the second and fourth Fridays at 8 p. m.

**RICHARD W. HILL**, who has entered upon his duties as assistant to the educational director, resides in the Borough of the Bronx, New York City. He is a lawyer by profession and was engaged in the general practice of the law for about ten years prior to the year 1914. On January 1, 1914, Mr. Hill was appointed secretary of the Borough of the Bronx, from which position he resigned to accept service with the Institute. As secretary of the Borough of the Bronx, Mr. Hill was charged, among other things, with the carrying out of a vast amount of administrative detail and the preparation of the annual budget of the office approximating one and one-half millions of dollars. It is felt that Mr. Hill's experience in public office, together with his legal training, will be valuable to the Institute. Hon. Douglas Mathewson, president of the Borough of the Bronx, with whom Mr. Hill has been associated for the past three years, stated that he felt Mr. Hill's resignation was a loss to that office. He said: "Mr. Hill has been associated with me in this office since I entered upon the discharge of my own duties. He has worked long hours, arduously, and with the best results. He is so well known that it is unnecessary that I should comment upon the tact and judgment he has displayed in meeting those having business with the office and in disposing of problems submitted to him for disposition. As he goes out, he carries with him the profound respect as well as the affection of the employees of the office generally. It is

with the utmost regret that I have accepted his resignation. I have written to him, in accepting his resignation, that I entertain the hope that in some way, at some time, the public may again avail itself of his services. He is the kind of man whose services are needed by the public in the discharge of its business." Mr. Hill has for the past three years been an examiner for the Correspondence Chapter of the Institute.

**OLIVER C. WHITE**, acting president of Baltimore Chapter, is rendering service which the chapter appreciates. This fact was emphasized on the occasion of the last open meeting, which was a pronounced success. Freas B. Snyder, Vice-President First National Bank, Philadelphia, spoke on "Credits," and Theodore L. Happ, assistant manager Financial Department, American Express Company, discussed "Foreign Exchange." A new class in Accountancy was recently established in Baltimore Chapter. Thirty-eight members, mostly Institute graduates, have joined the class. The course is similar to that given by Pace and Pace Institute of Accountancy. Much interest has been manifested in the course.

**CHATTANOOGA CHAPTER** hopes to make this year a banner one in educational work. Much interest is being manifested and the attendance this year is better than any we have had in recent years. T. R. Durham, an Institute graduate and also a graduate of law, is delivering the lectures in the first year course. Aside from CHATTANOOGA CHAPTER's educational work, they are having a monthly get-together meeting, at which a light dinner is served and a short program is arranged. The first one of these meetings was held in November and was a decided success. The program consisted of addresses by the Hon. W. B. Swaney, attorney, and Rev. Loaring Clark.

**E. B. BRADBURY** writes that Kansas City Chapter is having a very successful year and points, as a basis for this claim, to a membership of 350 and to three classes thoroughly organized for the purpose of education. The Practical Banking Class, composed of younger bank men, has been studying the different departments of a bank and bank work with which they are not familiar. They have also recently taken up a course in penmanship, which we believe is a very commendable idea. The class in "Banks and Banking" is making rapid progress and is having an average attendance of about seventy-five.

**W. F. GABRIEL** is the prolific writer of good chaptergrams from San Francisco. As a proof that this chapter is good in athletics and social activities as well as education, he writes the following:

"As a winter activity our athletic committee has organized a basket-ball league. Seven banks have entered teams. Games are played every Tuesday and Friday evening at the St. Ignatius gymnasium and the rivalry is keen for the cup offered the winning team by the chapter. On the afternoon of December 27 a Yule-



tide celebration was held at the chapter rooms. One hundred little boys and girls who did not know any Christmas cheer were made happy by our Santa Claus. A monstrous tree brightened the room very much and many gifts were distributed to all. The first issue of the chapter organ *Progress* was mailed to our eleven hundred members on the 4th of December. This eight-page paper is printed monthly and will contain all matters pertaining to the activities of the chapter. In this number we reproduced an address entitled 'The Education of a Bank Clerk,' which was delivered by F. L. Lipman, vice-president of the Wells-Fargo Nevada National Bank, before the members of our chapter on October 12, 1904, and it is interesting to note that these constructive remarks so aptly accord with the progress of present-day banking as evinced by the enthusiastic reception given Mr. Lipman's second presentation, June 28, 1916."

H. E. REED writes: "During the month our president invited to dinner the past presidents of Pittsburgh Chapter, together with the officers and board of governors. Much good came of this meeting. The president has appointed a committee whose duty it is to secure permanent quarters. C. G. Pford is chairman of this committee. He also appointed a committee whose duty it is to secure all the past records, such as minutes and the like. H. J. Pearis is chairman of this committee."

**SEABORG FOR EXECUTIVE COUNCIL.**—At the December meeting of the board of governors of New York Chapter the following resolution was introduced, approved and subsequently approved by the entire chapter at the rally on December 22, 1916.

*Whereas*, New York Chapter, American Institute of Banking, with a total membership of over 2,000, has not had representation in the Executive Council of the Institute since 1913-14; and

*Whereas*, the educational work being done in New York Chapter is on a higher plane than ever before in its history and is being handled more efficiently and with greater thoroughness, unity and successful results; and

*Whereas*, there have been more than 1,200 men registered in the classes this season and last, exclusive of the attendance at the two forums; and

*Whereas*, New York Chapter, due to its recent achievements, is receiving the recognition and support of the New York bankers in a most gratifying manner; and

*Whereas*, New York Chapter has been guided for two years, by an unusually efficient president, to whom must be attributed in a large degree the excellent results obtained in the chapter work; and

*Whereas*, New York Chapter has, in the person of its president, an Institute graduate of the highest type, and believes that he is well qualified for membership in the Institute Council; and

*Whereas*, he has attended Institute conventions since 1912 and has played a prominent part in the work done there and is well fitted to assume the duties of membership in the national body; therefore, be it

*Resolved*, that New York Chapter presents as its candidate for membership in the Institute Executive Council at the Denver convention in 1917, Joseph A. Seaborg, its president. And be it further

*Resolved*, that a suitable presentation of these facts be made to the president and secretary of every Institute chapter and be given such publicity in *Chapter Notes* and the *Institute Bulletin* as shall enable delegates to the Denver convention in 1917 to become further acquainted with the high qualifications of Joseph A. Seaborg for the office for which he is nominated by New York Chapter.

Those men whose privilege it has been to serve with Mr. Seaborg on chapter committees, or who have in any way been connected officially with either of his administrations, know, and those men now enrolled in the various courses given by the chapter know, that the wonderful progress made by the chapter during the past two years is due to the progressiveness and far-sightedness of its president. Confronted by educational problems and an increase in membership at the outset of his first term that bid fair to impede the work of the chapter, he solved these problems by placing the educational work on a higher plane than it had ever been before. The membership, under his careful leadership has grown steadily. The splendid support we now receive from the New York banks is due to his setting forth our needs at the several meetings held with the bankers in such a way that help was forthcoming immediately. In other words, New York Chapter realizes that the American Institute of Banking needs the services of its president, and that it would be very selfish indeed were it not to share with the other chapters of the Institute the services of the man who has given so willingly of his time and thought in the development of Institute work in this city. We want every Institute man throughout the country to know him. We want Institute men to know him through the work he will do for them, as he has done for us in New York, if elected to the Executive Council at the Denver 1917 convention.

A. C. HOFFMAN of Los Angeles describes the recently organized forum of the home chapter of the Institute's president. After mature consideration upon the part of a committee appointed by the Board of Governors of Los Angeles Chapter some time ago, it was decided to establish a forum, and the first meeting was held December 12, same proving a decided success. John H. Wilson, Clearing House Examiner of the Los Angeles Clearing House Association, presided and has been designated chairman of the forum. Wilson introduced E. G. McWilliam, President of the Institute, who made a few remarks, explaining what the forum is designed to accomplish. It is proposed to hold monthly meetings for the purpose of discussing banking subjects and kindred topics, and the membership has been limited to officials of local banks and older members of the chapter, the latter to be invited to attend by an officer of his bank and according to the subject under deliberation. In this way it is thought those members actively engaged in the particular work under discussion will receive the maximum of benefit and at the same time insure more interesting meetings. The subject of the meeting, December 12, was "Loans," W. M. Caswell, assistant secretary of the Security Trust & Savings Bank, delivering an interesting talk upon "The Making of a Mortgage Loan," and covered the subject from the time application is made until all final papers were filed and the loan made, in a most comprehensive manner. Leo. S. Chandler, vice-president of the Citizens Trust & Savings Bank, spoke upon "The Making of a Commercial Loan," bringing out in the course of his

talk many legal points, which were thoroughly discussed thereafter. One of the most gratifying features of this meeting was the fact that many bank officers from towns tributary to Los Angeles were present, a number of them making a trip of some twenty-five miles to be there. The forum idea apparently has gained a firm footing in this community, and Institute activities in general are being accorded more pronounced recognition continually.

NEW YORK CHAPTER activities are thus described by I. H. Meehan: As the year just closing has been such a memorable one in the history of New York Chapter, both in the number of men enrolled and in the introduction of so many educational features, it was decided to fittingly celebrate our progress by having a real chapter Christmas rally; a rally where everyone could forget for the time being, negotiable instruments, Federal reserve banks, Spanish, accounting and kindred subjects, and do nothing else but try and find out "who that fellow is in the law class" or the name of the fellow who so obligingly hands out the library books, or the names of those staid-looking gentlemen—grand old chapter graduates who occasionally look in on us. So Friday night, December 22, was set aside by the powers that be for the occasion. The Entertainment Committee was there as never before; in fact, the committee must have spent a week at the chapter rooms planning and preparing for the eighteen hundred men who attended. The Reception Committee, too, was out in full force. A man hardly had time to take off his coat before he was led over to the eats counter and there regaled with delicious sandwiches, no less than ten varieties, big red rosy apples, all the delicious russet cider he could drink and then to top this all off, he was handed a real Missouri corn-cob pipe and some pride of the chapter mixture. In addition to the regular numbers provided by the committee, there were several songs sung by all those present. It certainly was a grand sight to see so many bank men gathered together at the chapter rooms just to have a good time. Good fellowship was rampant and every loyal Institute man who attended went home happy and proud in the consciousness that he was an integral part of an organization made up of men who will make their mark in the banking world. The seaside section held its annual beefsteak dinner at one of the local chop houses during the month. The dinner, as is usual with the affairs of this section, was a big success. The only worry, apparently, of the chairman is to hurry along the plans for installing an additional wing on the bungalow at Edgemere-by-the-Sea to take care of the increased enrollment which he expects will amount to 250, starting with the spring season. It behooves all those men who contemplate joining this section to enroll at once, for it is possible that a limit will have to be placed on the number of men who would like to avail themselves of the privileges to which the members of this section are entitled. Our chief consul, F. M. Totton, has returned from a six months' vacation (?) spent on the border with the Seventh New York National Guard. During his spare moments as a soldier he formulated

plans for an inter-district membership campaign to start January 1, 1917, and to continue until March 1, 1917. All of the consuls have been advised in detail regarding the campaign, and from reports already received it would appear that those men anxious for first honors are now busily engaged enrolling new members.

EITHER CLAUSEN is making San Francisco Chapter famous or vice versa; it means the same. On Thursday, November 23, a delegation composed of the officers and several members of San Francisco Chapter attended a banquet given in their honor by Oakland Chapter, at which time San Francisco Chapter outlined the promotion plan for the membership campaign and social activity as an auxiliary means of stimulating interest among members. President Clausen read a very interesting paper on the financial history of Guatemala. On Friday, November 17, John Clausen and E. V. Krick, under the direction of the Forum Committee, appeared before the Alumnae of the Polytechnic High School and talked to that body on early education and preparation for life's vocation. This month has found President John Clausen, manager of the Foreign Department of the Crocker National Bank, enjoying a very hurried trip east to participate in the convention of the Southern Commercial Congress, which was in session at Norfolk, Va., from December 10 to 14. He addressed this gathering on the subject of "Our Gold Supply, the Problem at Present and the Probable Condition after the War." On his return trip he was among the guests at the 138th regular banquet of the Bankers' Club at Chicago, at which F. A. Vanderlip, president of the National City Bank of New York, was the guest of honor. Mr. Clausen will visit the east again in January to attend the fourth annual Foreign Trade council, which will be in session at Pittsburgh, Pa., January 25 to 27.

PITTSBURGH CHAPTER's open meeting was addressed by W. J. Flynn, Chief of the Secret Service, United States Government. Mr. Flynn described some of the interesting things connected with his department's work in running down counterfeiters. He also displayed plates, paper and counterfeit bills which were manufactured by a "very clever young man in the West."

O. N. SAMS, president Merchants National Bank, of Hillsboro, Ohio, addressed Cincinnati Chapter on the "Federal Farm Loan Act" at the November monthly meeting.

KANSAS CITY's graduate class will be devoted this year to the study of "Bonds and Investments." There has never been any time in the history of the country that the subject of "Bonds" has received the attention that it does today. With such a surplus of money as is in the country at the present time, and with commercial paper and other classes of loans bringing such low returns, bonds have become a very desirable investment, and the executive committee of the graduate class believe they have chosen a live subject.

WHEELING CHAPTER is one of the smaller chapters, but it has ten per cent. of its members graduates of the Institute. How many chapters can boast of such a record? At the December meeting the following officers were elected: President, Chas. Hartman; vice-president, F. T. Dowler; treasurer, Jos. Jefferson; secretary, William W. England; executive committee, Albin Schubart, L. H. Buchse.

PREPAREDNESS FOR PEACE has been considered by San Francisco Chapter. In order to meet intelligently problems that will arise after the European war is over, the chapter has arranged with the Extension Division of the University of California for a course of lectures to be given by Dr. David P. Barrows on War Finance and business conditions that will have to be met when the European war is over. These lectures will be six in number and will be delivered at the chapter rooms during the months of February, March and April. This topic being of such international interest I have included the subject for each lecture. They are as follows:

1. *The Costs and Consequences of Armament.*

Reorganization of the French Army after 1870 and its financial support—German military finance—England's army and navy budget—Military finance of Japan—Military and naval expense of the United States—The cost of the Spanish-American War—The cost of Philippine occupation—Indemnities—The French indemnity of 1871—The Boxer indemnities, how calculated.

2. *History of Public Finance in Past Wars.*

Public finance in war—War bonds—History of the British war debt—The war debts of the United States.

3. *History of Public Finance in Past Wars. (Continued.)*

The national debt of France—Germany's imperial finance before this war—Public debts of minor states.

4. *The Effect of the Present War on Industry.*

Government regulation of German production and consumption—French control of industry—British measures—British control of trade—The effect of these measures upon production and well-being; upon efficiency of organization—American trade and industry as affected by the war; its economic consequences.

5. *The Financing of the Present War.*

German war finance—British borrowings and re-loans.

6. *The General Economic Effects of War.*

To what degree is the waste of war balanced by increased economic activity—Views of Professor Sumner—After-consequences of war—Economic expansion succeeding war—Rise of prices—Effect of the cost of living—Possible consequences to the United States at the ending of the present war.

H. E. HEBBRANK is in charge of Pittsburgh Chapter's banquet, which will take place the first part of February.

RALEIGH, N. C. CHAPTER has taken on new life due to the visit of Vice-President Proctor and F. B. Devereaux, member Executive Council. President Sherwood states: "These gentlemen made very interesting and inspiring talks. I have been much encouraged by the spirit shown by chapter members as the result of this meeting of December 13, and have every reason to believe we are going to have a much more successful year in 1916-1917 than in 1915-1916."

NEW HAVEN CHAPTER has eighty out of 206 working for the Institute certificate. Employees of insurance companies and brokerage houses in New Haven attend study classes of the chapter in that city.

"SOCIAL REVOLUTIONS after the War with Special Reference to American Economic Conditions" was the subject of an address by Dr. David Beaton before

Chicago Chapter. Dr. Beaton emphasized the necessity for the encouragement of our foreign trade by the creation of a merchant marine, by giving greater freedom of combination for foreign commerce, and by facilitating international banking.

PROMOTIONS.—Chicago—A. G. Costello, heretofore assistant cashier, Liberty Trust and Savings Bank, chosen cashier, Madison and Kedzie State Bank. Slingsley C. Stallwood, formerly chief clerk in the trust department, Northern Trust Company, chosen assistant secretary.

New York—Morris K. Parker, heretofore manager bond department Equitable Trust Company, chosen vice-president. John J. Lewis, heretofore assistant secretary Guaranty Trust Company, chosen vice-president.

Louisville—Frank I. Dugan, heretofore note teller, Citizens National Bank, chosen assistant cashier.

Chattanooga—G. A. Rice and H. B. Sadd are now with the National City Bank, New York.

R. M. CRAM, OF DENVER, states: "Plans for the 1917 Convention are assuming definite shape, committees having all been appointed. If the present plans are carried through, as we believe they will be, the promises held out at the Cincinnati convention will be fully redeemed."

SEVENTH ANNUAL BANQUET of Boston Chapter will be held at the Hotel Somerset, January 16, 1917.

FIFTEENTH ANNUAL BANQUET of New York Chapter will be held at Hotel Astor, January 29, 1917.

NEW HAVEN.—An example of what a great university is able to do for a chapter is evidenced in New Haven. Yale University allows the use of classrooms in the law school to the chapter. Last year Professor Edgerton, of Yale, who also instructed students of New York Chapter in commercial law and negotiable instruments, conducted the classes for New Haven Chapter. This year Professor Westerfield, professor in Economics in Yale, conducts part one of the study course.

MILK TRUST.—Reporter on *Chicago News*: "What should I do with this long article about milk trust?" Editor: "Condense it."

DO YOU BELIEVE IN "BUMPS OF KNOWLEDGE"? A practical demonstration was given recently before Cincinnati Chapter at an open meeting. Most of the members now believe that all the bumps of knowledge in the Institute are *habitat cincinnatiensis*. In other places no doubt all bumps of knowledge are dents.

CHICAGO DEBATE SOCIETY shows interesting progress. "Resolved, that the Adamson law was a public benefit," was the subject of the last debate. Chicago and Milwaukee Chapters will come together in debate in March. January 10 is the date of the chapter dance in the Hotel La Salle. The educational work of Chicago Chapter is being satisfactorily conducted.



EDUCATIONAL CLASSES are in full swing in Denver Chapter with a good registration and attendance. They are studying commercial law and negotiable instruments under Prof. Andrew H. Wood, and Spanish under Prof. W. H. Clifford, both instructors being on the faculty of the Denver University. A class in banking practice will start March 1 under R. M. Crane, also on the faculty of the Denver University.

THE EDUCATIONAL ACTIVITIES of Pittsburgh Chapter are booming with four classes; three under the direction of the University of Pittsburgh and the fourth a class in "Elementary Banking," conducted by E. S. Eggers.

"NASHVILLE CHAPTER," writes J. D. Carter, "has entered this year into a new era of its history. The generous appropriation of the Nashville Clearing House of \$50 monthly has made possible the efficient conduct of four classes, the extension of our inter-city debates, the bringing of good lecturers to Nashville for our general monthly meetings and small prizes for efficiency contests. Our membership is now 130. We have fifty members enrolled in the banking class, part 1, Standard Study Course; eighteen in the class in elementary banking (O. Howard Wolfe's text), and as many more enrolled in the public speaking class. The post-graduate class has been delayed, but is now being organized with the hope of getting under way by the first week in January. For the general monthly meeting in November we had C. E. Johnston, C. P. A., deliver an address on the subject 'The Place of Advanced Accounting in Modern Business.' Thanks to Jean Phillips, president of Pittsburgh Chapter, we had the privilege of securing a most interesting, scholarly and instructive lecture by Dr. J. T. Holdsworth, Dean of the School of Economics of the University of Pittsburgh. The subject of Dr. Holdsworth's lecture was 'Business Problems in the United States at the Close of the War.'"

ST. LOUIS CHAPTER—Adolf H. Hanser writes that the class activity is centered principally in practical banking and public speaking, although the classes in law and junior work are thriving and continue to be well attended. It has been planned to hold one open meeting each month, at which time some prominent banker or business man will address the chapter. Our membership committee has made an effort to secure more of the bank officers to join the chapter. After sending a letter to every officer in the St. Louis banks urging them to join, quite a few applications have been received, and our membership now has reached the highest mark in the history of the chapter.

OAKLAND CHAPTER is enjoying success. An average attendance of over sixty at each meeting of the banking class is a record. A delegation of fifteen from San Francisco Chapter visited Oakland on November 23, and occasioned a real live and enthusiastic meeting. John Clausen, president of that chapter, who is an authority on Latin-American finances, very interestingly discussed, "Timely Observations on Guatemala." Victor Klinker, vice-president, aroused considerable enthusiasm with a description of San Francisco Chapter's "Big

Year." John S. Curran gave an address on the "American Institute of Banking and Its Effect upon Members." On December 14, Dr. David P. Barrows, Dean of the University of California, addressed the chapter on the subject, "Financing the Present War." Dr. Barrows has recently returned from Belgium where he labored with the American Relief Committee.

BOSTON CHAPTER.—On December 19 Joseph E. Percy, Income Tax Attorney of the Tax Commissioner's Office of the Commonwealth of Massachusetts, addressed at Ford Hall an audience of chapter men and others to the number of about 600 on the new Massachusetts Income Tax Law. Mr. Percy made his subject very clear and the questions and answers brought out many points of interest. Elmer F. Littlefield, for the last ten years paying teller of the National Security Bank, was elected, December 19, 1916, cashier of that bank. A. E. Gladwin, the former cashier, was made president of the bank. Mr. Littlefield is an A. I. B. man and was formerly on the executive committee. He follows the Institute courses and says they have helped him. The annual banquet of the chapter will be held at Hotel Somerset January 16. Informal reception 6-6.30. Dinner to start at 6.30. The speakers will be Dr. H. Parker Willis, of Washington, D. C., who has just returned from establishing a bank in the Philippines, will speak on Banking in the Far East, and Mr. MacRoberts, of the National City Bank of New York, will speak on the Russian Loans.

CLEVELAND CHAPTER.—H. W. Herrick writes that: "November 28, Wm. Judson Kibby, of the Kibby Institute of Character Analysis and Vocational Guidance, addressed us on 'How to Size up the Man in front of the Cage.' Choosing at random one of our members present, whom he had never seen before, Mr. Kibby sized him up and analyzed him from fifty different viewpoints within four minutes' time. We all agreed that Secretary Hill had been most thoroughly analyzed and his dominant characteristics very well depicted through Mr. Kibby's thorough, almost uncanny, examination. Tuesday, December 12, the chapter was very fortunate in securing J. J. Sullivan, who spoke to us on 'The Psychology of the Cassie Chadwick Case.' His review of this remarkable case in Cleveland's financial history was indeed most interesting, especially to the older members present. A slight diversion in the way of a musical program preceded this lecture and was thoroughly appreciated and enjoyed by all. Our chapter membership continues to grow by 'leaps and bounds,' as does also the attendance at the educational classes. The former has reached 570—a new high-water mark for Cleveland. The last reported attendance at the educational class was 150, making it necessary to divide the class into two sections. In January, which marks the fifteenth anniversary of the founding of the Cleveland Chapter, elaborate preparations are being made for this celebration in conjunction with the Annual Stunt Night to be held January 16. We are anticipating great 'doin's,' as the committee in charge has promised some real talent among the members in the different banks."



# MEMBERSHIP CHANGES

REPORTED DURING DECEMBER, 1916

California .....	Hollister .....	Bank of Hollister succeeded by Bank of Italy.
Georgia .....	Macon .....	American National Bank taken over by Citizens and Southern Bank.
	Rockmart .....	Citizens National Bank in voluntary liquidation.
Illinois .....	Chicago .....	North Shore Savings Bank in bankruptcy.
	Clayton .....	Bartlett and Wallace changed to Bartlett and Wallace State Bank.
	Highland Park.....	D. M. Erskine and Company closed.
Iowa .....	Sioux City.....	Farmers and Merchants Bank of Greenville in liquidation.
Massachusetts .....	Stoneham .....	Stoneham National Bank succeeded by Stoneham Trust Company.
Minnesota .....	Faribault .....	Chase State Bank changed to Farmers and Merchants State Bank.
Mississippi .....	New Albany.....	First National Bank succeeded by Bank of Commerce.
New York.....	East Worcester.....	East Worcester National Bank liquidating.
	Lake Placid.....	Lake Placid National Bank succeeded by Bank of Lake Placid.
	New York.....	Beyer and Company succeeded by E. F. Coombs and Company.
	Walden .....	National Bank of Walden closing its affairs.
Ohio .....	Akron .....	Commercial Savings Bank succeeded by Commercial Savings and Trust Company.
		Commercial Savings Bank, East Akron Branch, succeeded by Commercial Savings and Trust Company, East Akron Branch.
		Commercial Savings Bank, South Akron Branch, succeeded by Commercial Savings and Trust Company, South Akron Branch.
Oklahoma .....	Marble City.....	Citizens State Bank liquidated.
South Carolina.....	Mount Croghan.....	Bank of Ruby and Mt. Croghan retains its title. Not changed to Bank of Mt. Croghan as reported in November, 1916, issue.
Texas .....	Omaha .....	First National Bank in voluntary liquidation.
	Teague .....	Farmers and Merchants State Bank closed.
Washington .....	Hartford .....	The Rucker Bank now at Lake Stevens.
West Virginia.....	Williamstown .....	Williamstown National Bank closed.

## NEW AND REGAINED MEMBERS FROM DECEMBER 1 TO 31, 1916, INCLUSIVE

Alabama.....	Leeth National Bank, Cullman. Bank of Sumter, Livingston (regained). City National Bank, Sylacauga.	Nebraska.....	Leigh State Bank, Leigh. Farmers State Bank, Lexington. Bank of Moorefield, Moorefield. First National Bank, Morrill.
Arkansas.....	The Dalark Bank, Dalark. Peoples Savings Bank, Marianna. Crittenden County Bank & Trust Co., Marion. Parkin Home Bank, Parkin. Pocahontas State Bank, Pocahontas (regained).	New Jersey.....	First National Bank, Pompton Lakes. Verona National Bank, Verona.
California.....	First National Bank, Calipatria. Central Bank, Pasadena. State Bank of Ramona, Ramona. Industrial Commercial & Savings Bank, Vernon.	New Mexico.....	First State Bank, Lake Arthur (regained).
Colorado.....	Drovers State Bank, Denver. Bent County Bank, Las Animas. Stock Growers Bank, Walden.	New York.....	First National Bank, Champlain (regained). First National Bank, Dolgeville (regained). Hempstead Bank, Hempstead (regained). Citizens National Bank, Hornell. Commercial Trust Co., New York (regained). Manufacturers Trust Co., Brooklyn. Manufacturers Trust Co., 84 Broadway Branch, Brooklyn. Manufacturers Trust Co., 1459 Myrtle Ave., Branch, Brooklyn. Citizens Bank, Rochester. Yonkers Trust Co., Yonkers.
Connecticut.....	Peoples Bank & Trust Co., New Haven (regained).	North Carolina.....	Bank of Jamesville, Jamesville. Bank of Pinehurst, Pinehurst.
Florida.....	De Soto National Bank, Arcadia (regained).	North Dakota.....	Citizens State Bank, Arnegard (regained). Farmers National Bank, Ellendale. First National Bank, Hannaford (regained).
Georgia.....	Bank of Cave Spring, Cave Spring (regained). Walton County Bank, Social Circle (regained).	Ohio.....	Shelby County Bank, Botkins. Edgerton State Bank Co., Edgerton. Martin Bank Co., New Straitsville. Ohio Valley Bank, Portsmouth. City National Bank, Tiffin. State Security Bank, Zanesville (regained).
Idaho.....	Commercial & Savings Bank, Mountain Home.	Oklahoma.....	First National Bank, Addington (regained). First State Bank, Albion (regained). Citizens National Bank, Antlers (regained). Bison State Bank, Bison. American National Bank, Bristow. Home State Bank, Grandfield. Bank of Grant, Grant. First State Bank, Maramec. Bank of Pittsburg, Pittsburg (regained). First State Bank, Putnam. First State Bank, Savanna (regained). First State Bank, Shamrock. State Bank of Commerce, Stillwater.
Illinois.....	Adams State Bank, Chicago. Auburn State Bank, Chicago (regained). Hyde Park State Bank, Chicago. Farmers State Bank, Glasford. First National Bank, Hindsboro.	Oregon.....	First Bank of Juntura, Juntura (regained). Bank of Sherwood, Sherwood (regained).
Indiana.....	Stone City Bank, Bedford (regained). Union Trust & Savings Bank, Gary.	Pennsylvania.....	First National Bank, Kane (regained). Germantown Trust Company, Logan Office, Philadelphia.
Iowa.....	First National Bank, Creston. Commercial Bank, Wapello (regained).	South Carolina.....	Bank of Clover, Clover (regained). Bank of Kershaw, Kershaw. Farmers Union Bank & Trust Co., Orangeburg (regained).
Kansas.....	First National Bank, Clifton (regained). Citizens State Bank, Onaga (regained).	South Dakota.....	Farmers & Merchants State Bank, Spencer. State Bank of Tulare, Tulare (regained). Farmers & Merchants State Bank, Wessington.
Kentucky.....	Phoenix & Third National Bank, Lexington (regained). Deposit & Peoples Bank, Paris (regained).	Tennessee.....	Bank of Gainesboro, Gainesboro (regained). Bank of McKenzie, McKenzie (regained).
Louisiana.....	Caldwell Bank, Columbia (regained). Iberville Bank & Trust Co., Plaquemine. First National Bank, Ville Platte.	Texas.....	Citizens State Bank, Bastrop (regained). First National Bank, Burkburnett (regained). First State Bank, Childress (regained). Littlefield State Bank, Littlefield. Army Bank of Fort Sam Houston, Mexico Branch No. 1, San Antonio. First National Bank, Silvertown. Sour Lake State Bank, Sour Lake. First State Bank, Wylie.
Maryland.....	Peoples Savings Bank, Baltimore. Hampstead Bank of Carroll County, Hampstead. Hebron Savings Bank, Hebron. Farmers Bank, Mardela Springs.	Utah.....	Farmers & Merchants Savings Bank, Logan (regained).
Massachusetts.....	Arlington Five Cents Savings Bank, Arlington. Blackstone Savings Bank, Boston. Roxbury National Bank, Boston. Bass River Savings Bank, South Yarmouth. Julius H. Whipple, Springfield (regained).	Virginia.....	Dickenson County Bank, Clintwood (regained). The Cumberland Bank, Cumberland (regained). Merchants & Planters Bank, Dillwyn.
Michigan.....	Central State Bank of Benzonia, Beulah. First State Savings Bank, Breckenridge (regained).	Washington.....	State Bank of Black Diamond, Black Diamond.
Minnesota.....	Villard State Bank, Villard.	West Virginia.....	Glenwood Bank, Charleston (regained). Kingwood National Bank, Kingwood (regained).
Mississippi.....	Planters Bank, Clarksdale. Cleveland State Bank, Cleveland (regained). Hernando Bank, Hernando. Liberty Bank, Liberty (regained). Bank of Pachuta, Pachuta. First National Bank, Philadelphia. Progressive State Bank, Tutwiler.	Wisconsin.....	Bank of Birnamwood, Birnamwood. Farmers & Merchants Bank, Independence. State Bank of Maplewood, Maplewood.
Missouri.....	Bank of Drexel, Drexel. Harris Banking Co., Harris. Bank of Liberal, Liberal. Bank of Newtown, Newtown (regained). Farmers Bank, Powersville. Phelps County Farmers Bank, St. James. First National Bank, Steelville (regained). Bank of Whitewater, Whitewater. The Wyatt Bank, Wyatt.	Wyoming.....	First State Bank, Greybull.
Montana.....	First National Bank, Baylor. First State Bank, Chester. First State Bank, Coffee Creek. Farmers State Bank, Havre. W. J. Minkiewitz & Co., Bankers, Hingham. First State Bank, Joplin. Citizens State Bank, Scooby. Vananda State Bank, Vananda.	Canada.....	Standard Bank of Canada, Toronto, Ontario. Canadian Bank of Commerce, Montreal, Quebec.
Nebraska.....	Farmers State Bank, Arnold. Dalton State Bank, Dalton (regained). Citizens State Bank, Geneva. Bank of Henderson, Henderson.		

